



**EUDE**

**INSTITUTO DE FINANZAS  
ÉTICAS Y RESPONSABLES**

# I Conferencia Green Bonds

**Jueves 13 de noviembre de 2014**

**ABENGOA**



**BNP PARIBAS**



**NATIXIS**

GLOBAL ASSET MANAGEMENT



**Santander**



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  - Presentación Natixis Global AM
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# Agenda

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Recepción de participantes y bienvenida

**Juan Casals y Enrique Castelló**

Instituto de Finanzas Éticas y Responsables – EUDE Business School

Green Bonds: experiencias y expectativas del mercado

**Mónica Rico y Melisa Madariaga**

Mercado de Capitales y Relaciones con Inversores de Abengoa

**Noelle Cajigas**

Directora de Mercado de Capitales de BNP Paribas

**Sophie del Campo**

Directora General Natixis Global Asset Management para España y Latinoamérica

**Philippe Muñoz**

Director de Inversiones de Santander Asset Management

Mesa redonda y coloquio

Clausura y café



## Objetivos y temas

### Objetivos

- Compartir las experiencias de las principales partes de la cadena de valor de la emisión de un Green Bond
- Analizar la situación actual del mercado
- Anticipar las tendencias futuras

### Temas

- Características de un Green Bond
- Ventajas para los emisores
- Interés de los inversores

Emisor  
corporativo

Banco  
asegurador

Inversor  
institucional





## Mensajes clave – emisor corporativo



**Mónica Rico**

**Melisa Madariaga**

**Mercado de Capitales y Relación con Inversores, Abengoa**



La emisión del GB ha permitido a la compañía acceder a nuevos inversores, incluidos los inversores socialmente responsables

Emisión conforme a los Green Bond Principles (GBP) y términos ESG incluidos en el Term Sheet

También han diversificado la estructura geográfica de inversores, ampliando el road show a Francia, Escandinavia y Estados Unidos

Se requiere mucha coordinación con bancos, asesores legales, auditores, asesores ESG y el resto de los participantes en la emisión

Mayor nivel de transparencia y seguimiento, en particular en lo referido a los criterios de elegibilidad de las inversiones y en el uso de los fondos

Información pública sobre los proyectos invertidos y su desempeño ESG

Mismas condiciones financieras que otras emisiones comparables

**“El Green Bond ha aumentado la visibilidad de la compañía entre los inversores ISR, que han suscrito el 36% de la emisión”**



### **Noelle Cajigas**

**Directora de Mercado de Capitales, BNP Paribas**

**“Los Green Bonds no son una moda, suponen un cambio estructural que encaja en la sensibilidad social y de la comunidad financiera”**

La emisión de GB permite ofrecer al mercado un producto de renta fija con impacto social y ambiental positivo

No se trata de financiar proyectos puntuales de una compañía, sino apoyar el compromiso ESG a nivel corporativo

La consideración de los criterios ESG es más reciente en la renta fija, y los GBP favorecen el cambio y el crecimiento del mercado

No hay arbitraje, los costes adicionales no son significativos y dependen de las capacidades del emisor

La emisión de GB implica un examen en dos direcciones: el emisor se presenta como una empresa responsable, pero al tiempo, le permite identificar socios financieros con los que trabajar en el futuro

Los aspectos ESG deben añadir valor al bono y conseguir en la ejecución no sólo no excluir inversores, sino atraer el interés de más inversores



### **Sophie del Campo**

**Directora General, Natixis Global Asset Management**

Estamos en las primeras fases de desarrollo de un mercado en crecimiento, que requiere emisiones de calidad para que tenga recorrido

Por el lado de la inversión, es fundamental la liquidez. Más emisiones suponen una garantía de liquidez y que el activo sea más interesante

La combinación del crecimiento de la demanda de energía y las restricciones financieras del sector público impulsará la inversión privada en energía y el desarrollo de los GB. Otras industrias como la construcción o el transporte también se verán impactadas

Además del análisis fundamental financiero de la emisión, tenemos en cuenta tres elementos: valor aportado y compromiso ambiental del emisor, información disponible e impacto en la sociedad

La ISR debe mejorar la rentabilidad y reducir los riesgos de la inversión mediante el análisis de los aspectos ESG. Se trata de añadir valor a la inversión

**“La ISR requiere mucho análisis y recursos para aportar valor a los clientes.**

**Gracias a estas capacidades podemos anunciar el lanzamiento del primer fondo de Green Bonds”**



### **Philippe Muñoz**

**Director de Inversiones, Santander Asset Management**

**“Es un mercado nuevo pero atractivo y de futuro. Por ahora las emisiones del sector energético tienen mucho peso y como inversores esperamos más diversificación en el futuro”**

Nuestro objetivo principal es preservar el capital de los inversores. Los GB cumplen los criterios de inversión institucional de Santander AM, ya sean los de rentabilidad y calidad crediticia, así como los derivados de nuestro compromiso con los Principes for Responsible Investment

Con la irrupción de los bonos, entramos en una segunda etapa de la ISR. La primera fue el equity y la tercera será incluir el análisis ESG a la deuda pública, analizando aspectos como la protección de los derechos humanos en el país emisor

Es análisis fundamental es el mismo que para un bono tradicional. La diferencia es el análisis del uso de los fondos levantados. Es un análisis complejo que requiere tiempo y recursos

Somos exigentes con el cumplimiento de los objetivos ESG de la emisión y hacemos un seguimiento de los proyectos invertidos y su desempeño





## Conclusiones

- Mercado atractivo y en crecimiento
- Las emisiones high yield, signo de madurez del mercado
- La estandarización de los términos de las emisiones facilitará el desarrollo del mercado
- Son probables más emisiones institucionales, municipios o regiones
- Emisores financieros en España más centrados en emisiones para reforzar capital
- La ISR es aún desconocida entre los inversores particulares
- Hay más demanda del inversor institucional, a menudo por la regulación
- La gestión ESG es un proxy de la gestión general de una compañía
- Los GB deben cumplir criterios de mercado: rentabilidad y calidad crediticia





## Anexos





## Actualidad del mercado de Green Bonds

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- Emisión del Banco Mundial para un inversor específico, CalSTRS
- Bono de Northland Power - asset-backed bond, CAD 232m, 18 años, BBB
- Segunda emisión de NRW Bank – EUR 500m, 4 años, AAA
- Primera emisión en Australia: Stockland , EUR 300m, 7 años, A-
- Innovatec emite GB high yield – EUR 15m, 6 años, cupón 8,125%
- SolarCity emite GB para el mercado minorista, USD 200m
- El ayuntamiento de Örebro, Suecia, emite GB – SEK 750m, 5 años, AA+
- El BEI emite su primer GB denominado en USD – USD 1bn, 10 años
- KfW emite el mayor bono en USD – USD 1.5bn, 5 años, AAA
- Primer GB de un emisor japonés - Development Bank of Japan, EUR 250m, 3 años, Aa3
- Primera emisión de Ontario – CAD 500m, 4 años, Aa2e
- Förvaltaren, compañía del ayuntamiento sueco de Sundbyberg – SEK 400m, 5 años, AA
- Trina Solar emite convertible solar bond – USD 100m, 5 años, cupón 4%
- El BM emite tres GB estructurados para el mercado retail, USD 5m, EUR 10m, USD 30m
- Green Project Bond – Overseas Private Investment Corporation, USD 47.3m, 15 años
- Green Hydro Bond – BKK, NOK 1.1bn, 7 años
- Emisión de Nordic Investment Bank – USD 500m, 7 años, AAA
- Emisión de Massachusetts, USD 350m, AA+
- La Agence Française de Développement emite su primer GB - EUR 1bn, 10 años, AA
- Bono del BM USD 12.06m específico para clientes de Merrill Lynch WM, 10 años, AAA



## Actualidad del mercado de Green Bonds

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- Arise Wind emite su segundo bono en 2014 - SEK 350m, 3 años
- El gobierno del RU garantiza el bono emitido para financiar un proyecto de biomasa
- Primer GB en Soles de IFC - PEN 42m, 20 años, AAA, RIMAC Seguros inversor único
- Emisión de NRG Yield – USD 500m, 10 años, Ba1
- Greenko – USD 550m, 5 años, B, uso de los fondos refinanciación portfolio de eólicos
- Primera emisión en Italia, Hera - EUR 500m, 10 años, BBB
- British Columbia emite GB para financiar hospitales sostenibles – CAD 231.5m, AAA
- Emisión del banco NWB - EUR 500m, 5 años, AAA para financiar proyectos de agua
- Vornado Realty – USD 450m, 5 años, BBB3, real estate
- Emisión en renminbi de la IFC – RMB 500m
- Jun Yang Solar issues convertible green bond – HKD 190m
- GDF emite el mayor GB hasta la fecha – EUR 2.5bn, A1
- Emisión de Île-de-France – EUR 600m, 12 años, AA+
- Primer bono corporativo canadiense, TD Bank – CAD 500m, 3 años, AA-
- Emisión de Iberdrola – EUR 750m, 8,5 años, BBB
- Svenska Cellulosa green bond - SEK 1.5b
- Unilever green bond - GBP 250m, 4 años
- Primer bono corporativo de 2014: Unibail-Rodamco – EUR 750m, 10 años, A+
- ExportDevCanada emite green bond – USD 300m, AAA



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# Opportunities in Sustainable Capital Markets



EuroWeek Overall best bank for Corporate DCM  
EuroWeek Best bank for Corporate DCM in Euros  
EuroWeek Best Corporate Secondary Market



IFR Bank of the Year  
IFR Euro Bond House  
IFR EMEA IG Corporate Bond House



EuroWeek Best Bank for Corporate DCM  
EuroWeek Best Corporate Secondary Market  
Best Emerging Markets Syndicate



**BNP PARIBAS**  
CORPORATE & INVESTMENT BANKING

| The bank for a changing world

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# 1. Sustainable Bonds - Background





# Sustainable Bonds - Introduction

## Introduction to Sustainable Bonds

### What

Are sustainable bonds?

- A debt security where **proceeds are invested in projects with environmental and/or social benefits**

### Why

Issue sustainable bonds?

- Access a **differentiated investor base** with specific investment criteria
- **Positive public relations message**
- Respond to social and regulatory pressure to **enhance sustainability**

### How

Are sustainable bonds different?

- **Issued as standard EMTN** with specific “use of proceeds” provisions
- Supported by a framework to underpin social and/or environmental credentials and **monitoring of proceeds**

### Who

Have been the key issuers?

- **Public sector:**
  1. Supranationals, Agencies, Multilateral Development Banks
  2. Local Authorities, Municipalities
- **Private sector:**  
Corporates, Financial Institutions



# Sustainable Bonds – Towards a Common Approach

- No universally accepted definition of a “Sustainable” bond. However, market participants are largely finding common ground on 3 basic requirements :

## Environmental, Social, Governance (“ESG”) performance of the issuer

To avoid any risk of “greenwashing” and possible misuse of funds, investors expect the issuer to show sound ESG credentials

### ESG criteria assessment

#### External:

- Research studies and ranking provided by extra-financial agencies
- Broker Reports
- Indices
- ESG Data Providers



#### Internal:

- Dedicated SRI Analysts build on external and internal research to formulate a “house view”
- May include direct engagement with companies



## Commitment on Use of Proceeds

Preference for a specific link between proceeds and projects, which could be :

- **Environmental projects**
- **Social projects**
- **Combination of both social and environmental topics**

## Structuring and reporting process

- In accordance with the **Green Bond Principles** (see p 7 below)
- Guidelines on the process for issuing a green/sustainable bond, with focus on transparency
- Compliance with these voluntary guidelines is an important incentive for investors to participate in the transaction



# Sustainable Bonds – Environmental, Social or both ?

## Different types of projects backing a “Sustainable” bond issuance

- Overall market practice is leaning towards distinguishing
  - **Green Bonds**, to finance projects with specific environmental benefits,
  - **Social Bonds**, to finance projects which have a clear social impact and help the most disadvantaged in the society, and
  - **Sustainable Bonds**, which combine both social and environmental projects

There is a very wide range of project candidates:

Type of Bonds	Example of projects underlying the issuance	Past Issuances in the Market	
“Green” Bonds	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Transport</li> <li>• Waste and pollution control</li> <li>• Water management and treatment</li> <li>• Building</li> <li>• Agriculture and Forestry</li> </ul>	<ul style="list-style-type: none"> <li>✓ IBRD, KfW, AFD, Hera, EDF, GDF Suez...</li> <li>✓ Solar City</li> <li>✓ EIB</li> <li>✓ NIB</li> <li>✓ AfDB</li> <li>✓ New-York State EFC</li> </ul>	<ul style="list-style-type: none"> <li>→ <b>Green Bond</b></li> <li>→ <b>Solar Bond</b></li> <li>→ <b>Climate Awareness Bond</b></li> <li>→ <b>Environmental Bond</b></li> <li>→ <b>Clean Energy Bond</b></li> <li>→ <b>Green / Water Bond</b></li> </ul>
	<ul style="list-style-type: none"> <li>• Housing for ageing people</li> <li>• Food security improvement</li> <li>• Microfinance</li> <li>• Health and wellbeing</li> <li>• Education and youth</li> </ul>	<ul style="list-style-type: none"> <li>✓ Goldman Sachs</li> <li>✓ AfDB</li> <li>✓ Daiwa Securities SMBC/International Finance Facility for Immunisation Company</li> </ul>	<ul style="list-style-type: none"> <li>→ <b>Social Impact Bond</b></li> <li>→ <b>EYE (“Education, Youth, Employment”) Bond</b></li> <li>→ <b>Vaccine Bond</b></li> </ul>
“Sustainable” Bonds	<ul style="list-style-type: none"> <li>• Homecare projects</li> <li>• Social housing meeting high environmental quality standards</li> <li>• Mass transportation (e.g. social inclusion)</li> </ul>	<ul style="list-style-type: none"> <li>✓ BNG, EBRD</li> <li>✓ MuenchenerHypo, Cambridgeshire Housing, Lloyds</li> <li>✓ Air Liquide</li> </ul>	<ul style="list-style-type: none"> <li>→ <b>Sustainability Bond</b></li> <li>→ <b>ESG (“Environmental, Social, Governance”) Bond</b></li> <li>→ <b>SRI (“Socially Responsible Investment”) Bond</b></li> </ul>

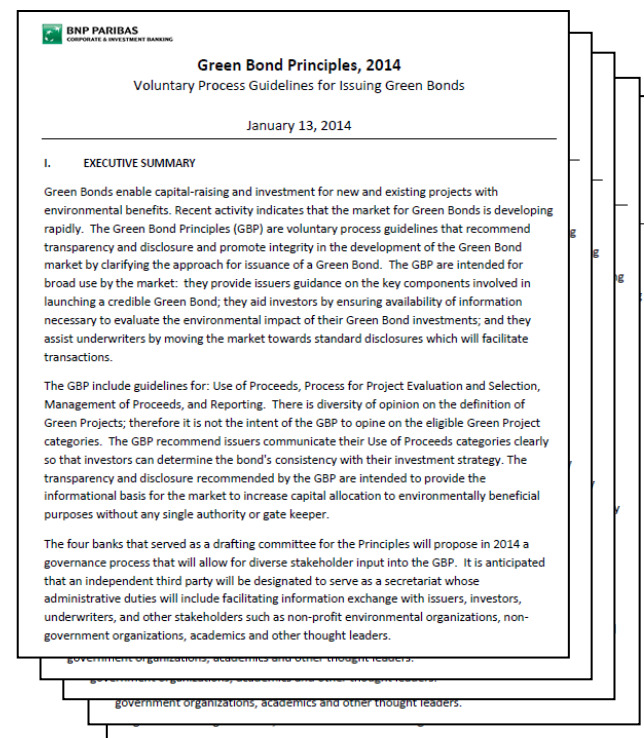


# Sustainable bonds – The Green Bond Principles

Since the January signing of the Green Bond principles: issuance has rise to over

## BNP Paribas: Signatory to the Green Bond Principles

- In January 2014, a group of **14 banks, including BNP Paribas**, proposed the Green Bond Principles, as a set of voluntary guidelines to which the issuers should adhere
- The Green Bond Principles focus on four main areas:
  - 1. Use of Proceeds:** the eligible projects should be declared at the outset, including where feasible clear environmental benefits that can be quantified and/or assessed. Examples of eligible projects are set out in the Principles, including renewable energy, energy efficiency, sustainable waste management, clean water and/or drinking water
  - 2. Process for Evaluation and Selection:** the issuer should outline the decision making process by which it selected its eligible projects, including an environmental review of the projects being financed, and the direct and indirect impacts from the projects
  - 3. Management of Proceeds:** the proceeds should be moved to a sub-portfolio or otherwise tracked by the issuer, in a process that should be clearly and publicly disclosed. Information should be made available on eligible instruments in which any unallocated proceeds may be invested. Third party verification of the process is desirable
  - 4. Reporting:** the issuer should report, not less than annually, on use of proceeds, unallocated proceeds, and progress on the eligible projects. Quantitative performance indicators are recommended
- The Principles were supplemented in April by a Governance Framework, setting out the process for overseeing the Principles, including membership eligibility, updates and amendments, under the auspices of the International Capital Markets Association



## BNP Paribas: Signatory to the Green Bond Principles

*"BNP Paribas is proud to partner with our fellow institutions to support the development of a robust Green Bond Market. Today's announcement is a crucial early step to foster the creation of a new transparent marketplace for socially responsible capital-raising and investment" (Jim Turner: Head of DCM USA; Green Bond Principles 2014)*



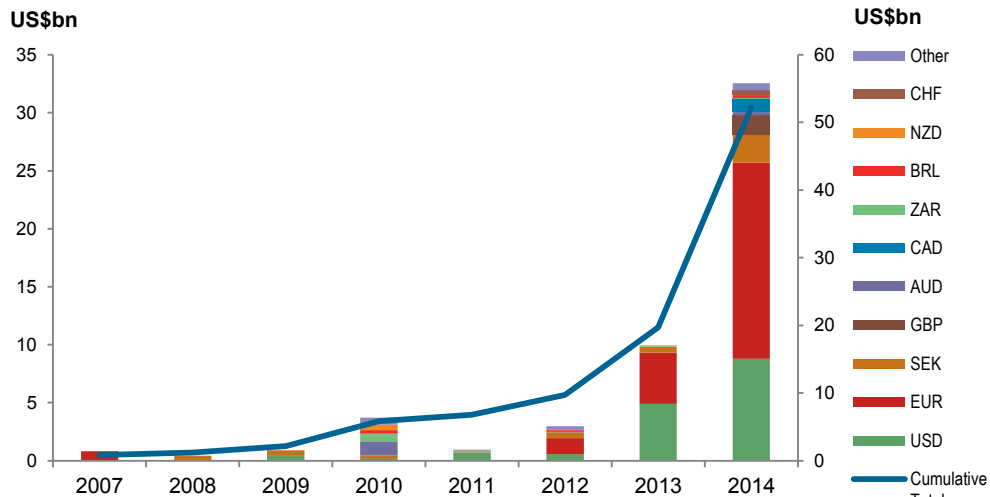
## 2. Market Activity



# The Sustainable Bond Market

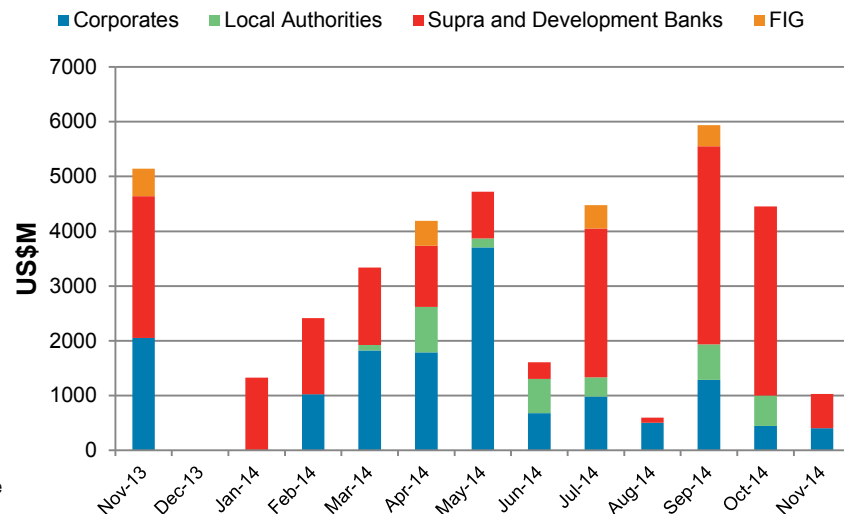
Momentum building as Sustainable Bond issuance for first half 2014 exceeds the whole year 2013

Use of Proceeds Bond Issuances by Currency [2007 – 2014 YTD]



Source : Bloomberg

Issuance by type of issuers [Nov 13 – 2014 YTD]



Source : Bloomberg

## Overview of the Sustainable Bond Market

EIB and World Bank pioneered the Green Bond or Climate Awareness Bond market with issuance in 2007 and 2008

- 2013 marked the first *private sector* issuance in this format
- The total amount of *Sustainable Use of Proceeds Bonds* issued since 2008: **US\$52.2bn**
  - Top 3 currencies: EUR: \$23.6bn; US\$: \$15.6bn; SEK: \$4.5bn
- From the year to date in 2014, **US\$ 32.5bn** Sustainable Bonds have been issued. The last 12 months have seen a significant diversification of the issuer base, of which just over half is now comprised of public sector issuers, with corporates and other private sector issuers (including banks) accounting for the other half



# Recent Sustainable Bond Supply

## October 2014 Database

Issue Date	Issuer Name	Amount (MN)	Amount (USD eq)	Maturity	Type of bond	Verifier
Oct - 14	KfW	USD 1500	1500	5	Green Bond	CICERO
Oct-14	BNG	EUR 500	630	5	Sustainability Bond	Sustainalytics
Oct-14	Province of Ontario	CAD 500	448	4	Green Bond	CICERO
Oct-14	Development Bank of Japan	EUR 250	315	3	Green Bond	DNV-GL
Sept-14	Abengoa	USD 300	300	5	Green Bond	Vigeo
Sept-14	Abengoa	EUR 265	342	5	Green Bond	Vigeo
Sept-14	NIB	USD 500	500	7	Environmental Bond	CICERO
Sept-14	MIT	USD 350	350	24	Green Bond	x
Sept-14	IADB	USD 500	500	4	EYE Bond	x
Sept-14	MuenchenerHypo	EUR 300	389	5	ESG Bond	Oekom
Sept-14	World Bank	USD 250	250	2	Green Bond	x
Sept-14	AFD	EUR 1000	1300	10	Green Bond	Vigeo
Sept-14	EIB	EUR 750	980	12	Climate Awareness Bond	x
Aug-14	World Bank	EUR 50	67	10	Equity Index-Linked Green Bond	x
July-14	ASE	USD 300	300	3	Green Bond	CICERO
July-14	DC Water	USD 350	350	100	Green Bond	Vigeo
July-14	KfW	EUR 1500	2040	5	Green Bond	CICERO
July-14	Lloyds	GBP 250	429	4	ESG Bond	Sustainalytics
July-14	Hera	EUR 500	680	10	Green Bond	DNV
July-14	NWB	EUR 500	680	4	Green Bond	CICERO

Source : Bloomberg



# Agencies' Sustainable Bond Issuance : Structures & Commitments

AFD – Sep 14	KfW - Jul 14 (EUR)	DBJ – Oct 14	KfW - Oct 14 (USD)
<ul style="list-style-type: none"> <li>■ AFD is the French bilateral development finance institution whose activities are aimed at reducing poverty and inequalities, promoting sustainable economic growth and protecting “Global Public Goods” of benefit to all humanity</li> <li>■ 70% SRI/Green Investors</li> </ul>	<ul style="list-style-type: none"> <li>■ KfW is the German Development Bank supporting sustainability goals of the Federal Republic of Germany, the European Union and the international community</li> <li>■ First Green Bond with external validation of environmental and social impacts</li> </ul>	<ul style="list-style-type: none"> <li>■ DBJ is a 100% government – owned policy-based financial institution and assumed its present status since 1999</li> <li>■ Devoted to regional redevelopment, environmental conservation, basic social infrastructure and the creation of technologies and industries.</li> </ul>	<ul style="list-style-type: none"> <li>■ 3 months after its inaugural Green Bond, KfW successfully introduced its first USD Green Bond totaling USD1.5bn</li> <li>■ Largest USD Green Bond to date</li> <li>■ 1.6 x oversubscribed</li> </ul>
<p><b>Issuance Specifics</b></p> <ul style="list-style-type: none"> <li>■ EUR 1bn 1.375% 10-year Notes</li> <li>■ Proceeds will be used to finance renewable energy, energy efficiency, low carbon transport and biological carbon sequestrations projects that meet the following set criteria : <ul style="list-style-type: none"> <li>▪ Projects with an ex-ante analysis of its carbon footprint</li> <li>▪ Projects of climate change mitigation : carbon footprint &lt; 10k teqCO2/year ;</li> <li>▪ Projects aligned with local public policies</li> </ul> </li> <li>■ Vigeo commissioned to provide an independent opinion on the sustainable credentials of AFD's Climate Bond</li> <li>■ Second Opinion made public</li> <li>■ AFD's CSR performance has been ranked 4th of 58 in the “Retail &amp; Specialised Banks – Europe” by the extra-financial rating agency</li> </ul>	<p><b>Issuance Specifics</b></p> <ul style="list-style-type: none"> <li>■ EUR 1.5bn 0.375% 5-year Notes</li> <li>■ Use of Proceeds linked to KfW's environment investment program, “Erneuerbare Energien” (“KfW Renewable Energies Programme – Standard”). which aims at funding projects linked to the construction, expansion and acquisition of equipment and grids that meet the German Renewable Energy Act's requirements : <ul style="list-style-type: none"> <li>▪ Hydro-electric power stations</li> <li>▪ Equipment for the generation and use of biogas</li> <li>▪ Photovoltaic equipment....</li> </ul> </li> <li>■ ZSW appointed to certify the positive and sustainable effects on the environment of the underlying projects</li> <li>■ CICERO commissioned to review and evaluate KfW's Green Bond concept</li> <li>■ Use of Proceeds will be under ongoing monitoring and published quarterly on issuer's website (Data available in October 2014)</li> </ul>	<p><b>Issuance Specifics</b></p> <ul style="list-style-type: none"> <li>■ EUR 250m 0.250% 3-year Notes</li> <li>■ Proceeds will be used to (re)finance loans which finance a building/development receiving a DBJ Green Building Certification. The “DBJ Green Buildings Certification System” includes elements of energy efficiency, water conservation and water recycling as well as social and disaster prevention / control considerations.</li> <li>■ Asset allocation process clearly set out in the second opinion document from DNV-GL</li> <li>■ Funds clearly earmarked for green projects : Issuer to indicate details of loan nominations and to set up temporary holdings for bond proceeds not yet placed in the nominated loans</li> <li>■ Issuer to report on the ongoing performance of the buildings</li> </ul>	<p><b>Issuance Specifics</b></p> <ul style="list-style-type: none"> <li>■ USD 1.5bn 1.750% 5-year Notes</li> <li>■ High degree of transparency and very strong quality standards of Green Bonds have convinced many US experts</li> <li>■ Unique feature of “Green Bonds – Made by KfW” is the impact measurement – allowing investors to measure their contribution in terms of GHG reduction</li> <li>■ Proceeds of the bond tied to the same Program as for the EUR Green Bond</li> <li>■ ZSW and CICERO to assess the integrity and green credentials of the projects backing the Green Bond</li> <li>■ Use of Proceeds to be published on issuer's website (Data available in January 2015)</li> </ul>





# Corporates' Sustainable Bond Issuance : Structures & Commitments

UNIBAIL – Feb 14	UNILEVER – Mar 14	GDF Suez – May 14	HERA – Jul 14
<ul style="list-style-type: none"> <li>■ Unibail is an outstanding company in terms of its compliance with broad ESG criteria</li> <li>■ Their issue had a clear environmental dimension, but also provided a platform to publicise these ESG strengths</li> </ul> <p><b>Issuance Specifics</b></p> <ul style="list-style-type: none"> <li>■ EUR 750m 10-year Notes issued under EMTN program with very rigorous specific detail in Final Terms</li> <li>■ Use of Proceeds “to finance the construction and/or development of Eligible Assets”, which include               <ul style="list-style-type: none"> <li>■ New and on-going projects (including brownfield, greenfield and or extension/renovation projects) and/or</li> <li>■ Existing asset under management by the Issuer or any of its subsidiaries which have received (a) a BREEAM(1)* Certificate Design Stage .. of at least (and including) “Very Good” and (b) have obtained or will obtain a BREEAM(1) In-Use Certificate ...of “Very Good”</li> </ul> </li> <li>■ Eligible Assets will also meet additional social and environmental Eligibility Criteria developed with and validated by Vigeo</li> <li>■ The annual Sustainability Report will include a report by Ernst &amp; Young on compliance in all material respects of the Eligible Assets with the Eligibility Criteria</li> <li>■ * Building Research Establishment Environmental Assessment Methodology</li> </ul>	<ul style="list-style-type: none"> <li>■ Sterling issue presented as a Green Sustainability Bond</li> <li>■ Strong ESG credentials, with clear sustainability performance targets documented in a “Sustainable Living Plan”</li> </ul> <p><b>Issuance Specifics</b></p> <ul style="list-style-type: none"> <li>■ GBP 250m short 4-year Notes, issued from EMTN program</li> <li>■ Use of proceeds is to finance investment projects which should have environmental benefits in the areas of greenhouse gas emissions, water efficiency and/or waste management</li> <li>■ Six Eligible Projects have been included, of which five are factory building and retrofitting, and are intended to hit targets in all three areas</li> <li>■ The sixth project relates to environmentally friendly freezer cabinets in Turkey, Russia and the US</li> <li>■ The projects effectively “overcollateralise” the amount of the issue, allowing for substitution in the event that projects fail to meet the required criteria</li> <li>■ The eligibility framework was formulated with DNV GL, a certification and services company with strong environmental credentials</li> <li>■ Unilever will report at least annually on progress of the Eligible Projects</li> </ul>	<ul style="list-style-type: none"> <li>■ Euro denominated Green Bond in two tranches (6 and 12 year)</li> <li>■ 64% SRI/Green Investors</li> </ul> <p><b>Issuance Specifics</b></p> <ul style="list-style-type: none"> <li>■ EUR 1.2bn 1.375% 6-year Notes; and EUR 1.3bn 2.375% 12-year Notes, issued under the EMTN program</li> <li>■ Use of proceeds under two broad headings of Renewable Energy Projects and Energy Efficiency Projects, with fossil fuel and nuclear projects being excluded</li> <li>■ Projects selected by GDF Suez in accordance with environmental and social criteria developed with and validated by Vigeo, being environment protection; community involvement; ethics and business behavior; human resources and project governance</li> <li>■ Examples of projects include biomass fired combined heat and power plant in France; onshore wind farm in South Africa; hydro project in the Amazon region; program to install “smart” energy metering, enabling customers to save energy</li> <li>■ Proceeds will finance future projects and those funded or disbursed during the last financial year (since January 2013)</li> <li>■ GDF Suez’ statutory auditor will report on compliance with the Eligibility Criteria and on whether proceeds have been appropriately allocated to Eligible Projects</li> </ul>	<ul style="list-style-type: none"> <li>■ First green bond from an Italian issuer</li> <li>■ 69% SRI/Green Investors</li> </ul> <p><b>Issuance Specifics</b></p> <ul style="list-style-type: none"> <li>■ EUR 500m 2.375% 10-year Notes, issued under the EMTN program</li> <li>■ Proceeds will be used to finance or refinance eligible green projects in the following areas:               <ul style="list-style-type: none"> <li>• Fight against climate change (Renewable energy, Energy Efficiency)</li> <li>• Improvement of Air quality</li> <li>• Improvement of water purification</li> <li>• Waste cycle management</li> </ul> </li> <li>■ DNV GL commissioned as the Second Opinion to give external assurance to investors about the integrity of the bond given its objectives</li> <li>■ A list of KPIs have been defined for all the Green Project categories in order to measure and monitor the performance of Green Projects.</li> <li>■ Hera will report annually the allocations to each and every project along with the environmental performance achieved</li> </ul>



### 3. The Investor Perspective



# Responsible Investment – Who and Why?

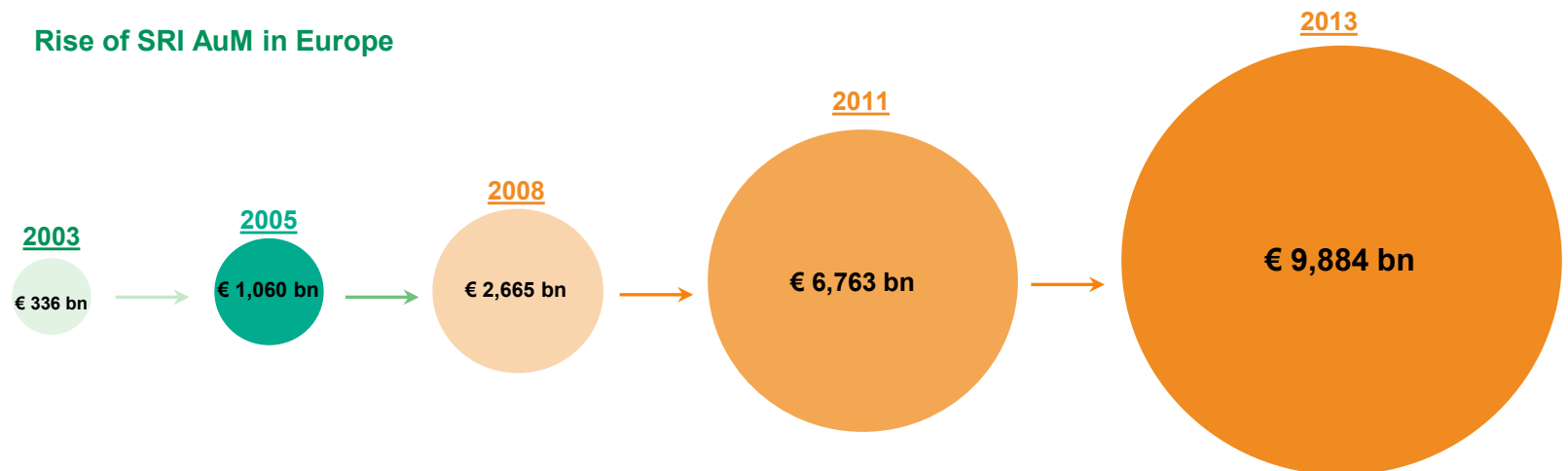
## Growth supported by social and regulatory pressures

- No single definition of “responsible” investment and significant variations across investor type and jurisdiction, but several common themes are developing:
  - Proliferation of “responsible investment” forums around the world
  - Steady increase in number of signatories to the UN Principles for Responsible Investment, launched in 2006
  - Regulatory support is growing, notably in the pensions sector
  - Although originally applied principally to equity investments, environmental, social and governance (“ESG”) performance is now increasingly being applied to fixed income assets also
  - ESG criteria being considered both from ethical and risk standpoints

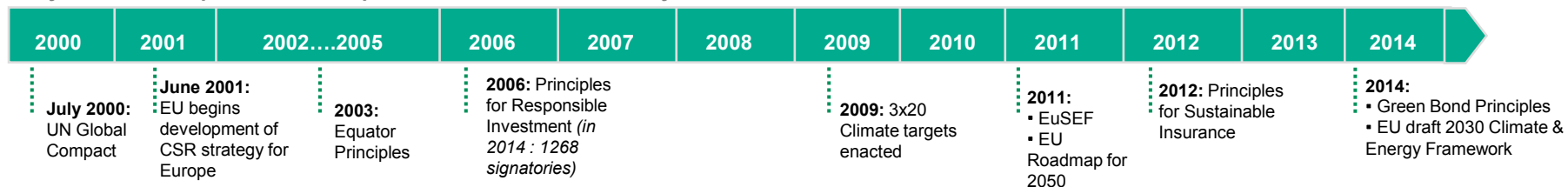
## Growth in SRI Assets under Management in Europe: +46% between 2011 and 2013



### Rise of SRI AuM in Europe



### Key Dates in European SRI development: Acceleration in recent years



Source: Eurosif Studies 03-14: GSI review, 2012



# Socially Responsible Investment Strategies – What?

## No consensus on a single definition

- A “responsible” investment process is one where financial motivation is combined with a social responsibility imperative
- Significant differences both within and between jurisdictions
- Investors have developed their own criteria over many years, working with internal analysts and third party providers
- Specific strategies may be applied more or less rigorously by different investors
- May be differently strategies for different portfolios, and may be used singly or in any number of combinations

## SRI Strategies (1)

	Definition	Comments
<b>Screening</b>	<p><u>Negative screening:</u></p> <ul style="list-style-type: none"> <li>■ Exclusion of companies, sectors or countries (e.g. armaments, tobacco, alcohol)</li> <li>■ May be statutory (eg certain armaments) or sanctions based</li> </ul> <p><u>Positive screening:</u></p> <ul style="list-style-type: none"> <li>■ Based on compliance with norms set by international bodies such as the United Nations or the International Labour Organisation (e.g. the UN Global Compact)</li> </ul>	<ul style="list-style-type: none"> <li>■ Relatively “narrow” strategy; potentially limited differentiation from “mainstream” investments</li> <li>■ Different exclusions could apply to different portfolios</li> <li>■ Positive screening more actively identifies strongly performing ESG entities</li> <li>■ May be combined with other ESG strategies, such as Best-in-Class (see below)</li> <li>■ May follow “engagement” to change company behaviour</li> </ul>



# Socially Responsible Investment Strategies – What?

No market consensus on a definition

## SRI Strategies (2)

	Definition	Comments
<b>Best-in-class</b>	<ul style="list-style-type: none"> <li>Asset selection based on best corporate performance in terms of ESG criteria</li> </ul>	<ul style="list-style-type: none"> <li>ESG assessments made using internal and external analysis (extra-financial rating agencies, indices) with poorest performers screened out</li> <li>May or may not be combined with an “exclusions” strategy of certain sectors</li> <li>Typically permits allocation of senior debt to “responsible” portfolios</li> </ul>
<b>Integration of ESG Factors</b>	<ul style="list-style-type: none"> <li>Explicit inclusion of ESG risks and opportunities into traditional financial analysis and investment decisions</li> </ul>	<ul style="list-style-type: none"> <li>Strategy derived from equity analysis, and increasingly applied to fixed income</li> <li>Analysis may be an “input” for portfolio managers or may be a restriction</li> <li>ESG as a risk management issue as well as a “conscience” matter</li> <li>Limited diversification for the issuer</li> </ul>
<b>Sustainability Themed</b>	<ul style="list-style-type: none"> <li>Investments in assets with specific themes that address social or environmental issues, eg climate change, eco-efficiency, health</li> </ul>	<ul style="list-style-type: none"> <li>Very broad range of “themes” and philosophies for particular funds</li> <li>Numerous funds but limited assets under management</li> <li>Optimises opportunities for diversification</li> </ul>
<b>Impact investment</b>	<ul style="list-style-type: none"> <li>Investments made specifically to generate a social or environmental impact alongside a financial return</li> </ul>	<ul style="list-style-type: none"> <li>May be subject to relatively rigorous criteria</li> <li>May be appropriate for private placements rather than liquid benchmarks for highly specific “themes”</li> </ul>

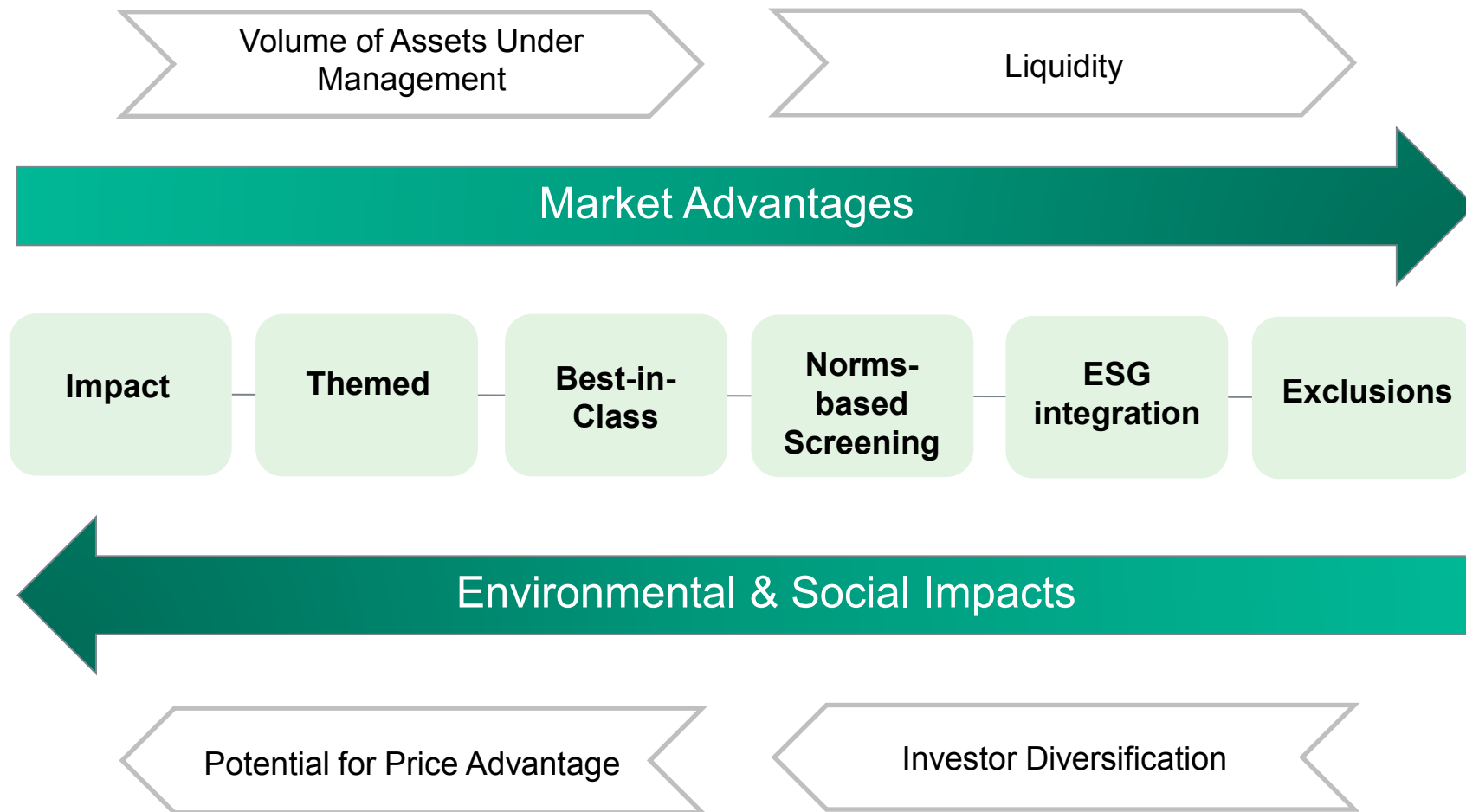


# Socially Responsible Investment in Practice

## Impact Versus Volumes

- Activity heavily concentrated in the “broadest” categories
- Maximum impact strategies growing but have limited assets under managements

↻ Trade-off between impact and liquidity

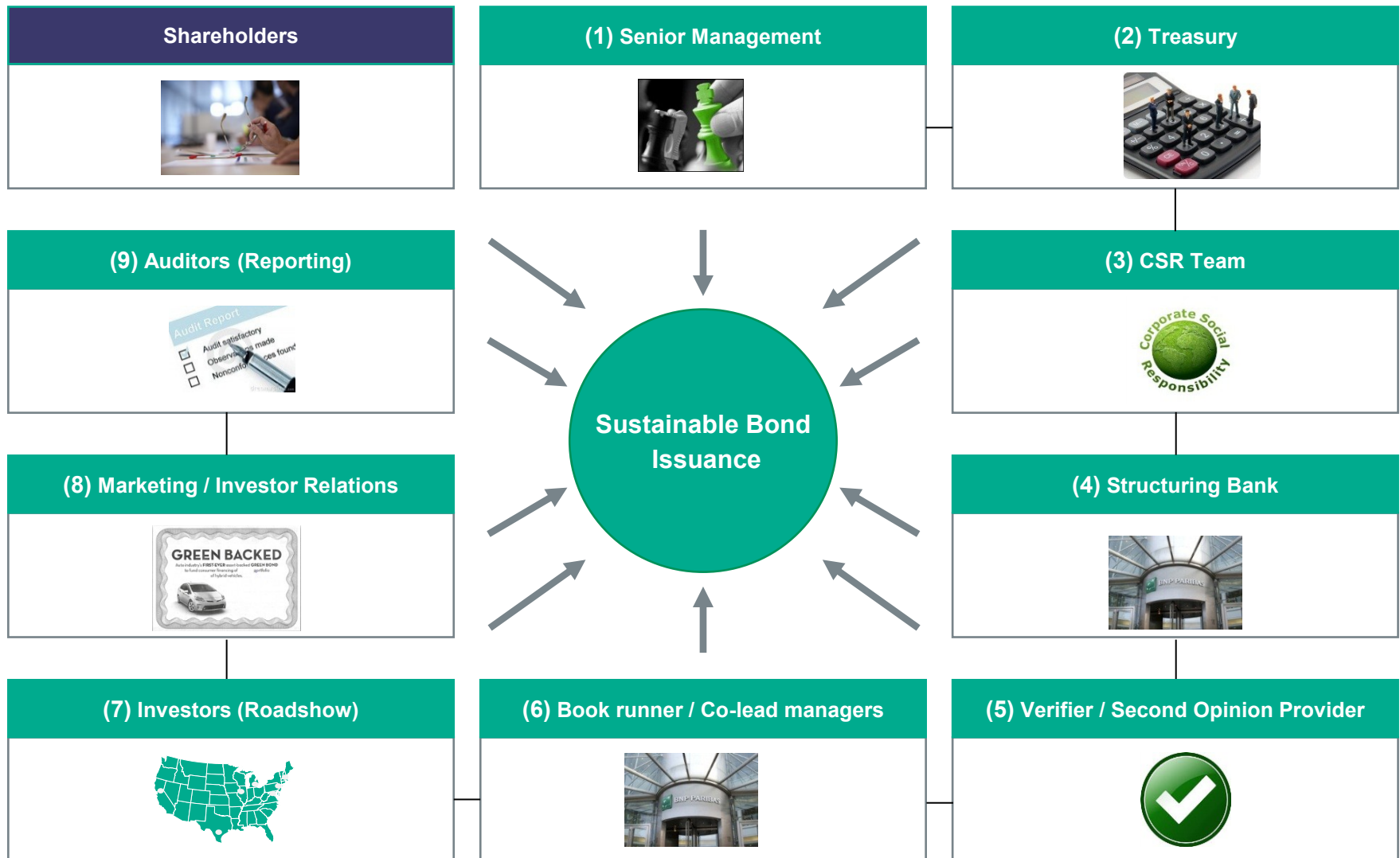


## 4. Structuring a Sustainable Bond – How and Why ?



# Structuring a Sustainable Bond – Multiple Stakeholders

- A bond with a green / sustainable theme involves a wide range of internal and external stakeholders:





# Structuring a Sustainable Bond - Summary

## Summary

- The issuer of a green or sustainable bond has both financial and non-financial goals:
  - Achieving competitive funding cost (not worse than flat to senior debt)
  - A forum for presenting its Corporate Social Responsibility credentials
  - Access to specialist investors
- Issuers are typically willing to pay extra costs for the specifics of structuring a sustainable bond.
  - Upfront costs: circa €25,000 for the Verification Report (+€20,000 for the Feasibility Study if undertaken)
  - Annual verification costs: around €5,000 to €10,000
- When ready to launch, the issuer undertakes comprehensive investor work, in a range of jurisdictions with a dual aim:
  - Give investors an understanding of its CSR message and of the projects to which an issue will be allocated, and
  - During this process, identify the most important responsible investors whose criteria are aligned with the issuer and the projects
- Information gained during the roadshow guides the allocation process, depending on whether the aim is to prioritise responsible investors

**A sustainable/green bond is a unique opportunity for an issuer to identify and enter into a dialogue with the responsible investor base**



# Sustainable Bond Issuance – Timeline

	1	2	3	4	5
Stage	Sustainable Bond Issuance – Internal decision	Using Third Party Verification	Issuer Names Structuring Bank and Bookrunners	Roadshow and Issuance	Transparent Reporting
Who is Involved	Treasury Team & CSR Investors	Verifier / CSR team / Treasury / Marketing	Issuer with Structuring Banks	Treasury Team / Banks / Investors	Issuer / Verifier
Action Points	<ul style="list-style-type: none"> <li>Internal discussions and meetings about a possible sustainable bond issuance</li> <li>Environmental and/or social projects selection</li> </ul>	<ul style="list-style-type: none"> <li>Mandate a verifier to provide a second opinion on the selection of “eligible projects”</li> <li>Determine the process for monitoring compliance throughout the life of the bond</li> </ul>	<ul style="list-style-type: none"> <li>Issuer names a structuring bank</li> <li>Bookrunners are named. DCM and Syndicates coordinate for a bespoke roadshow</li> </ul>	<ul style="list-style-type: none"> <li>Roadshow targets SRI and Green investors</li> <li>CSR questions regarding eligible projects likely raised</li> <li>Transaction announcement bookbuilding and pricing</li> </ul>	<ul style="list-style-type: none"> <li>Transparency on Use of Proceeds: Investors want to know that the environmental or social benefit of the projects are being delivered</li> <li>At least annual updates</li> </ul>



<b>Costs &amp; Timing</b>	=	Feasibility Study (optional)	+	Use 3 <sup>rd</sup> Party Verifiers	+	Annual Verification Report (Post-Issuance)	=	Upfront: €25,000-70,000	Timeline: 1-4 months
		€20,000 *Up to 3 months*		€25,000-50,000 *2 to 6 weeks*		€5,000-10,000 *2-4 days*			



# Execution Process (1/2)

## Structuring and reporting process

Issuance of a “sustainable” bond involves several key decisions and steps over and above the normal funding decisions. We highlight these in the following pages, and indicate the timing and costs which may be involved, including the very first step, being the internal processes

1.

### Assets identification and basic parameter considerations

#### Internal decision making

- Discussion on rationale and practicalities with internal teams
- Input from advisors (bank partner with specific expertise) on structuring, investor requirements, third party verifiers

#### Assets identification

- Either those with a specific environmental benefit or a social benefit, or a mixture of the two
- If required, undertake a feasibility study via one of the verification/risk analysis agencies (e.g. DNV, Vigeo) to review options

Up to 3 months  
Feasibility Study  
(optional)  
EUR 20,000

2.

### Using Third Party Verification

- To bring additional assurance on the robustness of the projects/assets backing the issue, a “Second Party Opinion” (or “Third Party Verification”) is strongly recommended
- Acting as a Verifier, the agent assists with formulating procedures to identify Eligible Assets, and to implement procedures to monitor continued compliance throughout the life of the bond
- Conclusions are published in the form of a report which is usually included in the final investor presentations, and form the basis of the “Use of Proceeds” clauses (see below)

2 & 3  
2 to 6 weeks  
EUR 25,000 to EUR 50,000



# Execution Process (2/2)

## Structuring and reporting process

3.

### Structuring and Documentation Considerations

#### Some key differentiating factors for a “sustainable” bond

- Use of Proceeds clauses should be clear and explicit
- Investor preference for external verifier to formulate criteria against which projects/assets may be monitored
- Appropriate agree process for accounting for proceeds pending disbursement (i.e. open an new dedicated account or place funds in the treasury liquidity portfolio until allocated to green projects)
- Methodology and frequency of reporting
  - Audit of proceeds and disbursements (for issues funding new projects)
  - Confirmation that assets are at least matched in amount to net proceeds (for issues funding existing assets)
  - At least annual updates for investors

2 & 3

2 to 6  
weeks  
EUR 25,000  
to EUR  
50,000

4.

### After Launch

#### Investors will want to know :

- That the environmental or social benefits of the projects are being delivered: updates should be available not less than annually. Information can be provided by the original Verifier, or by the issuer’s auditors
- That the outstanding amount of the assets or projects being financed have not fallen below the outstanding amount of the bond. This also forms part of the Report
- Information typically published as a newsletter or released on the company website

#### *EDF's dedicated Green Bond Page (as of October 14)*

Latest information regarding projects selected for Green Bond financing

At 30 June 2014, EDF had allocated €550 million out of the €1.4 billion raised through the Green Bond issued in November 2013.

The funds have so far contributed to financing 10 renewable energy projects (wind, solar PV, biogas), located in France and North America and developed by EDF Energies Nouvelles.

2 to 4 days  
EUR 5,000  
to EUR  
10,000



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## 5. Independent Verification Options



# Structuring a Sustainable Bond – Independent Verification (1/3)

## Bringing credibility to the issuance of a sustainable bond issue

- A sustainable bond derives from the issuer's own CSR policies and their implementation. To ensure the integrity of the market and optimise placement, it has become common practice to have an independent assessment of criteria and credentials
  
- However,
  - No absolute requirement for external verification
  - No standardised approach for assurance and verification
  - No recognised market leader for the provision of relevant services
  - Continuing dialogue between issuers, investors, verifiers and other interested parties (e.g. environmental NGO's) on best practice
  
- Options include
  - “Second party” opinions, e.g. endorsement by independent advisor to the issuer
  - “Third party” opinions, e.g. agency not appointed by the issuer
  - Auditors report, usually to monitor use of proceeds
  - Industry experts, e.g. climate scientists; green building specialists

**It is therefore for the investor to decide which criteria are most important, and which second party opinion providers are the most credible**



# Structuring a Sustainable Bond – Independent Verification (2/3)

## Practicalities and Process

- Clearly, each transaction is unique, and will involve a different set of criteria, applied to a unique set of projects and all work will therefore be bespoke. At the same time, each investor has a unique approach to socially responsible investment, which will influence their preferences for structure and choice of third parties, who might include:

Type of Verifier	Specifics
<b>Accountancy firms</b> (e.g. Deloitte, E&Y, PwC...)	<ul style="list-style-type: none"> <li>✓ Well resourced and with global reach (although not all firms have equal strengths in all locations)</li> <li>✓ Highly experienced in ESG; strong knowledge of clients for whom they prepare sustainability reports</li> <li>✓ Access to appropriate resources (e.g. environmental expertise) either in-house or externally</li> <li>✗ Challenge of managing conflicts of interest; the same firm may not be responsible for setting criteria and monitoring them over the life of the transaction</li> <li>✗ Limited track record with live transactions</li> </ul>
<b>Extra Financial Rating Agencies</b> (e.g. Vigeo, Sustainalytics, Oekom Research...)	<ul style="list-style-type: none"> <li>✓ Have a strong track record in ESG</li> <li>✓ Excellent dialogue with investors to whom they sell their ratings services</li> <li>✓ Strongest track record in leading transactions, especially in Europe</li> <li>✗ Their expertise may be limited in environmental topics</li> <li>✗ Limited global reach; most have regional strengths, although looking to expand</li> </ul>
<b>General Verifiers</b> (e.g. DNV, Bureau Veritas...)	<ul style="list-style-type: none"> <li>✓ Have a strong track record on all verification/certification process</li> <li>✓ Some strengths in environmental credentials (e.g. DNV strong in renewable energy)</li> <li>✗ Not consistent in all sectors and geographies; choice should therefore reflect project specifics</li> </ul>
<b>Research Based Organisations</b> (e.g. CICERO, Princeton, Oxford)	<ul style="list-style-type: none"> <li>✓ Access to climate scientists that support environmental criteria</li> <li>✓ CICERO has an excellent track record in supporting transactions (has acted for all the MDBs)</li> <li>✗ Typically have limited resources</li> <li>✗ These entities may be affiliated to and funded by specific lead managers (e.g. CICERO with SEB)</li> </ul>



# Structuring a Sustainable Bond – Independent Verification (3/3)

## Bringing credibility to the issuance of a sustainable bond issue

### ■ Questions to be addressed include:

#### ■ Selection of assets

- What are the criteria for selecting projects
- What controls are in place to ensure the criteria are consistently applied at the outset and on a continuing basis
- Is there support from an independent party, e.g. a credible Second Opinion on criteria selected by the issuer
- Does the issuer also wish to commit to its general ESG performance (as evidenced by an ESG rating)

#### ■ Application of industry or other recognised guidelines

- Other recognised standards such as International Labour Organisation, Climate Bonds Initiative, or industry specific guidelines such as BREEAM (Building Research Establishment Environmental Assessment)
- Whether “Green Bond Principles” have been complied with at launch, and whether the processes are in place to comply over the life of the bond

#### ■ Environmental criteria

- Establishing the expected environmental impact of the assets or projects, preferably to be measurable, in accordance with clearly defined criteria
- Provision of Environmental Impact Reports, supported by appropriate environmental expertise

#### ■ Due diligence

- Confirming the existence of the assets, and the processes for “ring fencing” them
- Confirming the Use of Proceeds
- Determining the value of the assets or projects at the outset
- Monitoring and reporting on the match between proceeds and projects throughout the life of the issue





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## 6. Execution Considerations



# Execution Considerations – Documentation

## Documentation

- “Sustainable” aspects of the bond issue contained in the Final Terms, including the eligible projects, selection process and how they will be monitored
- Transparency is critical: diversity of investor views means that the rules cannot be prescriptive, but the documentation and processes must allow each investor to make an informed decision, which will be valid over the life of the transaction
- Assets are “ring fenced”, in that they are identified as those to which proceeds are allocated, and are subject to verification. The assets are not in any way pledged
- No hard commitment that specific projects or results will materialise. Failure to deliver against the original criteria is a matter of reputational risk
- Examples of caveats set out in Final Terms include:
  - World Bank and IFC: the specified Eligible Projects are “for illustrative purposes only and no assurance can be provided that disbursements for projects with these specific characteristics will be made by IBRD during the term of the Notes”
  - EIB: targets specified in Final Terms “are merely current targets. Revisions of such targets will not be notified to Bondholders. No undertaking will be given that such targets will be met.”
- Investors differ on their willingness to consider new and/or existing projects for refinancing: :
  - Existing projects are already a known quantity and their acceptability for specific portfolios can be better assessed
  - Some substitution of other eligible assets would be allowed if the portfolio were subject to amortisation and/or disposals
  - It is an absolute requirement that no asset will effectively be “refinanced” more than once



# Execution Considerations – Marketing & Syndication

## Marketing and Syndication

- The marketing and syndication process is, as with any new issue, critical to the success of the transaction at launch and in terms of the bond's long term performance
- There is an extra dimension for a Sustainable Bond:
  - A comprehensive and targeted roadshow is needed to deliver the message around the issuer's environmental, social and governance performance
  - Specific socially responsible investors need to be brought into the discussion, to facilitate the allocation process towards those investors
  - Target new investors (possibly in normally underrepresented jurisdictions, eg Scandinavia) and also specific "themed" pools of money where the asset owners have well defined criteria
  - Such investment decisions to take longer than the normal decision whether to buy a well-rated, senior bond, since additional complex and sometimes controversial material needs to be analysed
- The roadshow could include a combination of group events, one-on-ones and conference calls, determined by the usual factors of management availability and practicalities
- Investors with specific and rigorous investment criteria in environmental, social and governance matters are likely to wish to challenge the issuer on their these aspects of the transaction, as well as their corporate compliance
- The roadshow team will therefore have to include personnel with the appropriate Corporate Social Responsibility expertise
- The roadshow is also the opportunity for the issuer to ask questions of the investor, to ensure that allocation can be directed in the way they want



# Execution Considerations – the Roadshow

Banks' mandates

Roadshow & Issuance



- **Day 1:** Issuer appoints bookrunner [and joint lead managers]
- **Day 2:** Banks to coordinate roadshow in line with issuer's strategy and management availability
  - Number of days and locations
  - Investors targeted
  - Format of meetings (physical meetings, conference calls)
  - Suggested schedule
- **Day 3:** Public roadshow announcement / one pager / Sales persons invite target investors
- **Day 8 – Day 12:** Roadshow (1-1s, group lunch, conf call....)
- **Day 15:** Public issuance announcement with IPTs
- **Day 16 (morning):** Bookbuilding - Banks adjust allocations based on issuer's strategy on prioritizing responsible investors.
- **Day 16 (afternoon):** Final allocations to be reviewed and approved by issuer + final pricing
- Press release and communication strategy towards the press

Month X 2014

M	T	W	T	F	S	S	
1	2	3	4	5	6	7	■ Issuer officially mandates banks to conduct the deal
8	9	10	11	12	13	14	■ Public Roadshow announcement
15	16	17	18	19	20	21	■ Roadshow dates
22	23	24	25	26	27	28	■ Issuance announcement
29	30						■ Book building – Allocations and Final pricing



# Execution Considerations – Allocation

## Process driven by issuer preferences

The issuer has a number of choices to make, depending on whether the financial or the non-financial goals are most critical. Options include:

### ■ Transaction size:

- A non-benchmark transaction or private placement could be expected to be placed with more specialist niche investors
- MDBs who may routinely issue multi-billion tranches, could keep “green” issues below a billion to deter the major central bank buyers
- Some of the pricing and post-execution trading benefits could be lost

### ■ Allocation:

- During the allocation process, SRI experts working at the Banks
  - Will give an assessment of the “greenness” of each investor
  - Help syndicate optimizing allocations in terms of investor quality and sustainable level
- The issuer could choose to allocate to specialist responsible investors only, typically resulting in lots of small tickets
- Allocations could include non-green investors in order to protect strong and longstanding investor relationships



# Key EUR Green/SRI Bond Investors

The growing investor base for Sustainable Bonds

## United Kingdom

Aberdeen AM	Aberdeen, UK
Aviva	London, UK
Barclays	London, UK
Blackrock	London, UK
F&C AM	London, UK
M&G Invest	London, UK
Morgan Stanley IM	London, UK
Standard Life	Edinburg, UK
Vanguard AM	London, UK

## France

AG2R	Paris, FR
Allianz GI France	Paris, FR
Amundi	Paris, FR
AXA IM	Paris, FR
BNPP IP	Paris, FR
Natixis AM	Paris, FR
UFG - LFP	Paris, FR

## International

SAFE	Beijing, CH
Korea Investment Corp	Seoul, KR
Bank of Korea	Seoul, KR



Emergence of Green Bond Index



## Nordics

AP2 Fonden	Gothenburg, SE
AP4 Fonden	Gothenburg, SE
DNB AM	Oslo, NO
Gyllenberg	Helsinki, FI
Norges Bank IM	Oslo, NO
SEB IM	Stockholm, SE
Storebrand	Lysaker, NO
Swedbank Robur Fonder AB	Stockholm, SE

## Benelux

Aegon	Amsterdam, NL
APG	Amsterdam, NL
Dexia AM	Brussels, BE
Fideuram Gestions	Luxembourg, LX
Fortis	Brussels, BE
SNS Bank	Amsterdam, NL

## Austria, Germany, Switzerland

Credit Suisse	Zurich, SW
Deutsche Bank A&WM	Frankfurt, DE
Gutmann Kapitalanlage	Frankfurt, DE
Oppenheim Kapitalanlagegesell schaft	Munich, DE
Pictet AM	Geneva, SW
Robeco IM	Vienna, AT
Swisscanto AM	Zurich, SW



# Key US\$ Green/SRI Bond Investors

The growing investor base for Sustainable Bonds

## International

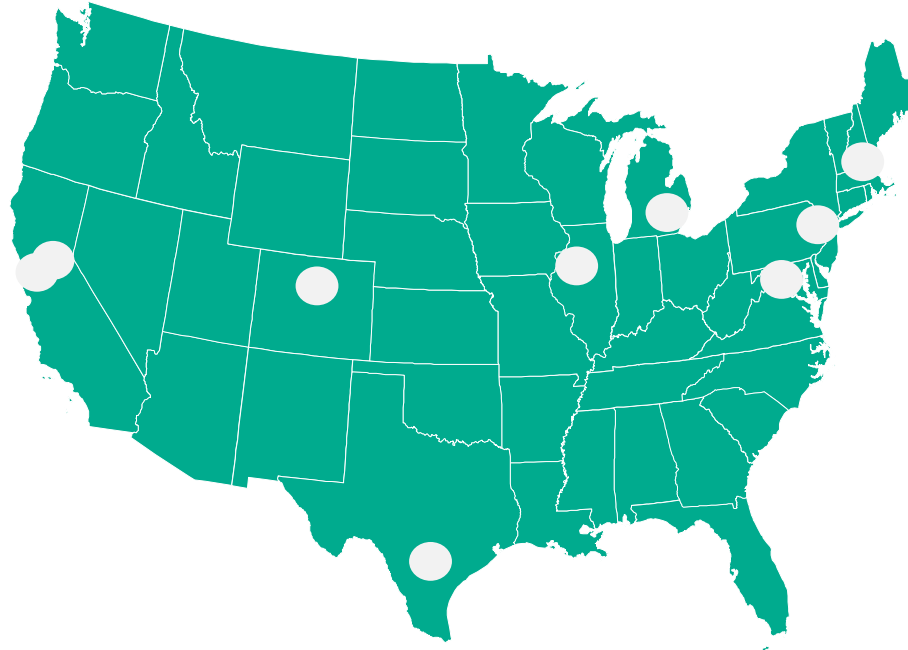
AP Fonden 2/3	Stockholm, SE
Netherlands Development Finance Company	The Hague, NL
Nikko Global	Tokyo, JP
Nordea Bank	Stockholm, SE
SEB	Stockholm, SE
Skandia	Stockholm, SE

## West Coast

Cal. State Treasurer's Office	Sacramento, CA
CalSTRS	Sacramento, CA
Calpers	Sacramento, CA
Parnassus	San Francisco, CA

## Central

CoBank	Denver, CO
Legal & General	Chicago, IL
PPM	Chicago, IL
Columbia AM	Ann Arbor, MI
Ford	Detroit, MI
Sage Investors	Austin, TX
3m	St. Paul, MN



## East Coast

Calvert	Bethesda, MD
Breckenridge	Boston, MA
Green Century Capital	Boston, MA
Income Research	Boston, MA
Standish	Boston, MA
State Street	Boston, MA
Trillium AM	Boston, MA
Blackrock	New York, NY
DWS	New York, NY
Everence/Praxis	New York, NY
NY Common Retirement Fund	New York, NY
Schroeder	New York, NY
TIAA-CREF	New York, NY
Thrivent	New York, NY
UN Joint Staff Pension Fund	New York, NY
Vanguard	Malvern, PA

## Emergence of SRI and Dedicated Green Bond funds

Calvert Green Bond Fund (CGAFX)		Share Class
		A Shares
Calvert Green Bond Fund		
Daily Performance (as of 1/27/2014)		
Price	\$14.97	
Price Change	\$-0.01 (-0.07%)	
YTD Return (3.75% Sales Charge)	-2.86%	
YTD Return (No Charge)	0.94%	
Average Maturity (rounded to nearest year or day)	13 Years	
Fund Facts (as of 1/27/2014)		
NASDAQ Symbol	CGAFX (A Shares)	
Calvert Fund Number	698 (A Shares)	
CUSIP Number	13161P730 (A Shares)	
Assets Under Management	\$14.18 Million	
Duration (as of 12/31/2013)		
Effective Duration	4.57 Years	
SEC Yields (as of 12/31/2013)		
30-Day SEC Yield Subsidized	1.22%	
30-Day SEC Yield Unsubsidized	0.52%	

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### TIAA-CREF Social Choice Bond Fund

Fixed income investing with a purpose

Introducing the TIAA-CREF Social Choice Bond Fund (TSBRX), the latest addition to our Social Choice Investment lineup. Now you can invest in a dedicated fixed-income offering that reflects your values.

Designed to offer competitive returns, TIAA-CREF Social Choice Bond is an actively managed fixed income fund that invests in undervalued investment-grade securities that meet certain environmental, social and governance (ESG) criteria. In addition to filtering out companies that don't meet our social guidelines, the Fund proactively targets 10% to investments in socially beneficial companies and projects.

Open an Account

Learn more about opening a TIAA-CREF Brokerage Services account

Get Started



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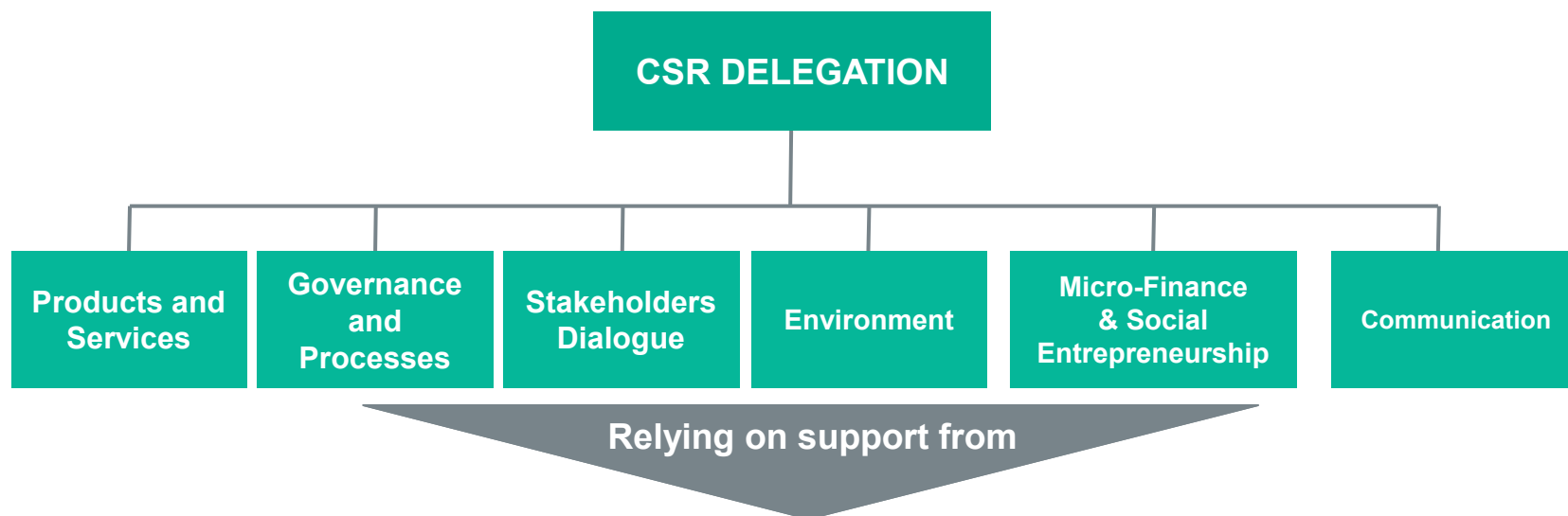
## 7. BNP Paribas – the Corporate Social Responsibility Perspective





# Strengthening of CSR function

- The CSR function reports directly to François Villeroy de Galhau, Chief Operating Officer of BNP Paribas, member of the Executive Committee
- The missions and responsibilities of the CSR Department are defined by instructions issued by General Management



- Correspondents within the Business Divisions, Subsidiaries, Functional departments and strategic geographical areas (130 people)...
  - One representative on the Entity Comex
  - One Head of CSR (frequently as part-time post)
- ... an internal network of experts (300 people)
  - Environment
  - SRI, micro-finance, etc.



# BNP Paribas – A Clear Commitment to CSR

## A Clear Commitment to CSR

### CSR as an integral part of BNPP's culture, business and strategy

- Top senior managers have CSR Criteria integrated into their variable compensation
- BNPP manages environmental and social impacts of banking activities and promotes good practices
  - CSR policies for sensitive sectors (e.g. Defence, nuclear, coal, oil sands, deforestation)
  - Member of Equator Principles
  - Signatory of UN sponsored Principles for Responsible Investment
  - Participant in the key market sponsored forums for responsible investment
  - A top market player in Socially Responsible Investment with EUR 20 billion of SRI AuM
- To work with our clients in the transition to a green and more inclusive economy
  - To develop Green Bond through a framework about the use of proceeds (Green Bond Principles)
  - To underwrite sustainable bond issues for all relevant fixed income clients worldwide
  - Established financing and advisory expertise in renewable energy (solar, wind, hydro projects...)
  - To promote CSR specific indices and related notes



### Well recognised strong commitment to CSR

- No.1 bank in Europe in terms of CSR according to Vigeo's ranking with an ESG rating of 63/100
- No.5 in the banking sector out of 137 companies assessed (75/100) and the only international bank in the top 5, according to Sustainalytics' ranking
- BNP Paribas carbon reporting was scored 93A by Carbon Disclosure Project in 2013
- BNP Paribas is present in a large scale of ESG/CSR indexes
  - DJSI World
  - Vigeo World 120, Europe 120, France 20
  - FTSE4Good Index Series
  - UN Global Compact 100 Index



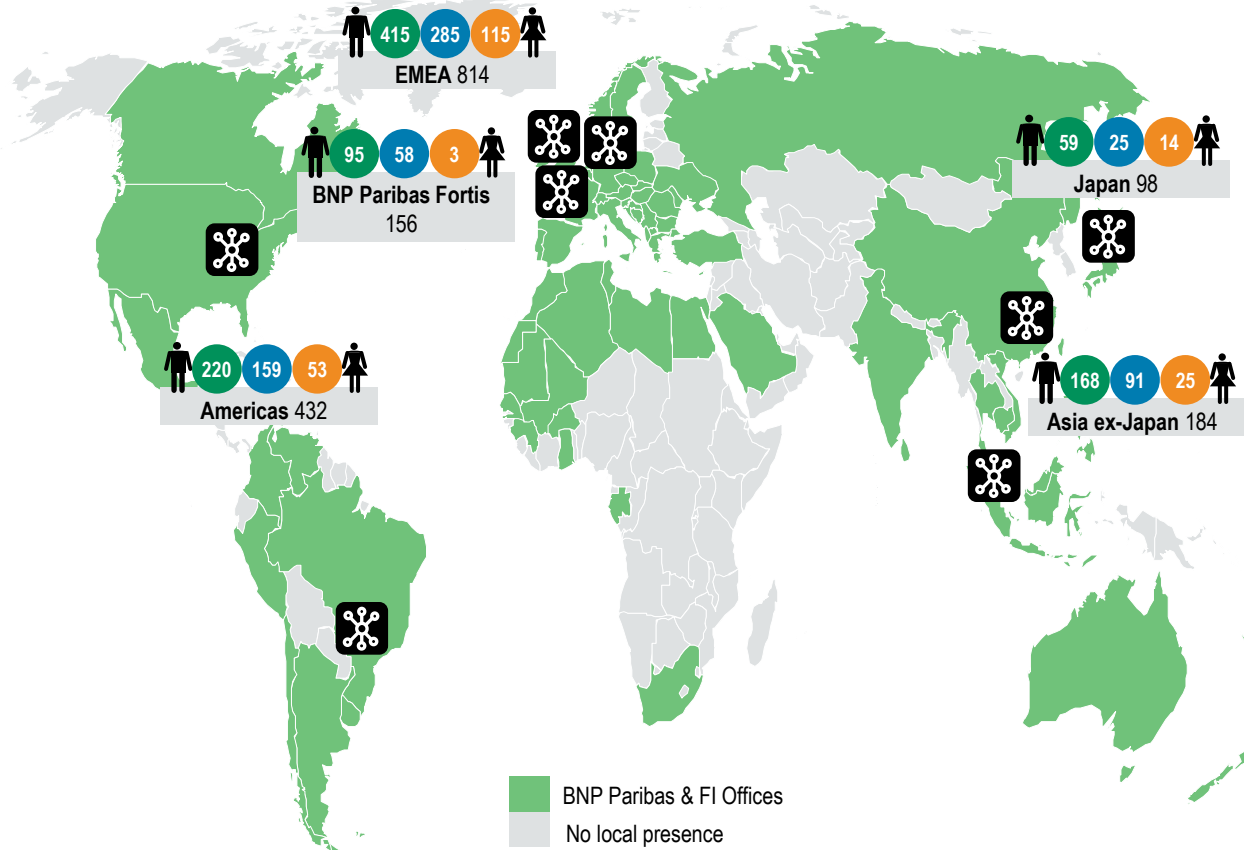
## 8. BNP Paribas Sustainable Capital Markets - Credentials



# BNP Paribas has a Global Reach

Worldwide presence – Expanding international reach with Fixed Income offices in more than 40 cities across the Americas, EMEA and Asia

Local expertise with global distribution network



### Key numbers

- 8 Trading hubs
- 1,785 front office staff
- 957 Marketers
- 618 Traders
- 210 Research

**Front-office FI staff**

- Origination, Sales & Structuring\*
- Trading\*
- Research

**Fixed Income Offices**

- Fixed Income Trading Hubs

As of June 2013  
\*Securitisation within Trading

**Full-Service Coverage in Sales, Trading and Research with more than 1,700 front office Fixed Income staff worldwide**



# BNP Paribas Sustainable Capital Markets

## Organisation and Transactions

### Expertise

- A key voice in the development of the Green Bond Product & Market
- The #1 DCM team in Europe in terms of league table
- A recognised and awarded market leader on structuring side



Stephanie Sfakianos  
BNP PARIBAS

### Credentials

- **No 1 in IFR League Tables (all Euros) since 2009**
- **No 8 in IFR League Table for all international bonds (all currencies)**
- **Euromoney Awards for Excellence 2013**
  - Best Bank in Western Europe
- **EuroWeek Bond Awards 2013**
  - Best Bank for Corporate DCM
  - Most Impressive FIG House
  - Most Impressive for Corporate Hybrid Capital

### BNPP's CSR Transactions in 2014

Sectorial Distribution	# Deals
<b>Environmental</b>	<b>9</b>
1 Advisory	3
2 Bond Issue	5
3 Financing	1

Sectorial Distribution	# Deals
<b>Social</b>	<b>10</b>
1 Bond Issue	4
2 Advisory	4
3 Acquisition Finance	1
4 Risk Agreement	1

**Agence Francaise de  
Developpement  
Green Bond**  
EUR 1,000m  
September 2014

- Inaugural benchmark Green Bond
- Eligible projects will meet climate criteria as well as AFD's usual ESG criteria
- 70% green investors

- Hera launched the first Green Bond ever from an Italian issuer
- "Eligible Green Projects" include Air Quality Projects, Projects to Fight Against Climate Change Projects, Waste Management Projects and Water Quality Projects"

**Hera  
Green Bond**  
EUR 500m  
July 2014

**GDF Suez  
Green Bond**  
EUR 2,500m  
May 2014

- Largest corporate Green Bond issued
- Eligible projects will contribute to fighting climate change
- High success, oversubscribed with a high proportion of Socially responsible Investors (64%)
- Investors also diversified by type (Pension Funds, Insurance Companies and Asset Managers)

- Clearly stated use of proceeds to fund projects with positive social or environmental impact
- Supported by extra-financial rating from Vigeo
- 30% of placement to SRI investors

**Region Ile De France  
Sustainable Bond**  
EUR 350m  
May 2012



# Sustainable Capital Markets

## Events

### Internal and External Awareness Raising

- The team is engaged in a continuous process of mutual education and awareness raising with a broad spectrum of interested parties:
  - Investor and issuer one-on-ones at the level of the day to day marketer and the senior relationship manager
  - Internal presentations to issuer and sales coverage
  - External conferences and round table discussions, at which issuers and investors share their thoughts on how they wish the market to develop
    - New York, London and Paris events held so far this year; further events planned in Brussels and Amsterdam
    - Roundtable event in Montreal in September to coincide with the PRI conference
    - Sponsorship of Euromoney Conference on Sustainable Capital Markets in September 2014
  - Supporting and publicising climate research through the BNP Paribas Foundation

### Promoting an Efficient Market

**INVITATION**

Conference 27 November 2013, 9.30 - 16.00  
10 Harewood Avenue, London NW1 6AA

**The Future of Our Business**  
Event Series

BNP Paribas will be hosting a series of events called the 'Future of Our Business' to look at how our role as a leading global financial organisation can be used to facilitate a sustainable and responsible future for our clients' businesses.

The series launches this month with a one-day conference on 27 November and you are invited to attend and contribute to what promises to be an exciting and innovative event.

The day will gather key internal and external stakeholders including: ethical investors, internal experts on our Corporate Social Responsibility sector policies and other inspirational individuals who are campaigning for a sustainable and responsible future. Join us for a series of presentations and panel discussions to help identify 'green growth' strategies and meet those who are instigating the change.

RSVP: by emailing [hannah.dickinson@bnpparibas.com](mailto:hannah.dickinson@bnpparibas.com) and further details will follow  
Future events will focus on specific issues and the potential opportunities and challenges that arise including: the economic impact of climate change, the market for social bonds and the development of social impact investment.

**BNP PARIBAS**  
CORPORATE & INVESTMENT BANKING | The bank for a changing world

BNP Paribas is delighted to invite you to our

**Sustainable Capital Markets**  
Roundtable Lunch

**Invitation**

**DATE & TIME**  
27 June 2014  
11.45 - 12.00 Registration  
12.00 - 14.00 Roundtable Lunch

**VENUE**  
InterContinental Paris Le Grand  
2 rue Scribe, 75009 Paris, France  
Please confirm your attendance along with any dietary requirements to Kate Scrafton

**RSVP**  
Please RSVP to Kate Scrafton  
Email [kate.scrafton@uk.bnpparibas.com](mailto:kate.scrafton@uk.bnpparibas.com)

**BNP PARIBAS**  
CORPORATE & INVESTMENT BANKING | The bank for a changing world



# Sustainable Capital Markets Initiative – Key Players

## Expertise with issuers and investors



### Stephanie Sfakianos, Head of Sustainable Capital Markets

Stephanie is responsible for coordinating the bank's activities in origination and distribution of capital markets debt backed by environmentally and socially responsible assets and projects

She joined BNP Paribas in 2002 and was most recently responsible for the highly successful Liability Management team.

She has a comprehensive background in fixed income and money markets as an originator, having worked at Deutsche Bank and earlier at HSBC



### Jim Turner, Head of Debt Capital Markets, New York

Joined BNP Paribas in 2000 to build a USD origination business upon merger of BNP and Paribas; started in banking in 1986 with Lehman Brothers and also worked at UBS, Citigroup and Bear Stearns Sc,B. in Applied Math / Economics from Brown University where Jim was also Ivy League Basketball Player of the Year for Brown's first (and only) championship basketball team; MBA from Duke University

Sponsored BNP Paribas' participation in the Green Bond Principles



### Stefano Blotto, Investor Relationship Management

Stefano joined BNP Paribas in 2009 in London as head of the Investor Relationship Management (IRM) team in Europe. IRM globally drives the business strategy and senior relationships with the priority investor clients of BNP Paribas.

Prior to joining BNPP Stefano spent 12 years at Merrill Lynch in a variety of roles: Head of Fixed Income for Italy, Head of Fixed Income sales for Europe, Head of Ecommerce for Europe and globally, Head of Fixed Income Prime Brokerage, head of Wholesale Distribution, Co-head of Investor Client Coverage group. Prior to that, he worked seven years at Credit Suisse in Milano and three at Goldman Sachs in London as head of Fixed Income Sales for Italy.



## 9. Appendix – Market Activity





# Socially Responsible Investing - US versus Europe

## Defining the Investment Universe

- According to the most recent Eurosif Study which collects data covering institutional and retail assets from 13 European markets, all SRI strategies are growing in aggregate at a faster rate than the broad European asset management market. The impressive growth of SRI in Europe is attributed to institutional investors who hold 96.6% of the assets (consistent with previous years)
- Updated data for the United States to be released soon. As per the last comparison, we noted that shareholder/investor activism was much more developed in the US than in Europe, and that sanctions based exclusions were largely a US phenomenon.

## European SRI Assets by Country – End 2013

Country	Sustainability Themed	Best-in-class	Norms-based Screening	ESG Integration (all categories)	Engagement & voting	Exclusions	Impact Investing	Total (adjusted for double counting)
Austria	€ 82	€ 4,575	€ 5,467	€ 986	€ 2,060	€ 26,983	€ 217	€ 26,983
Belgium	€ 816	€ 17,132	€ 20,235	€ 89,720	€ 38,006	€ 226,026	€ 0	€ 226,026
Finland	€ 220	€ 310	€ 64,667	€ 46,075	€ 50,565	€ 95,248	€ 0	€ 131,540
France	€ 4,392	€ 173,213	€ 1,119,040	€ 2,265,000	€ 55,304	€ 472,660	€ 1,020	€ 1,728,880
Germany	€ 4,127	€ 15,813	€ 10,177	€ 10,990	€ 11,736	€ 893,685	€ 1,366	€ 897,945
Italy	€ 1,094	€ 3,917	€ 351,754	€ 195,979	€ 54,372	€ 496,561	€ 2,003	€ 551,931
Netherlands	€ 20,163	€ 15,232	€ 746,125	€ 629,236	€ 649,198	€ 1,068,769	€ 8,821	€ 1,244,576
Norways	€ 2,078	€ 44,484	€ 798,682	€ 94,209	€ 321,245	€ 797,257	€ 0	€ 798,682
Poland	€ 0	€ 3	€ 773	€ 0	€ 578	€ 1,060	€ 0	€ 1,060
Spain	€ 82	€ 1,961	€ 14,247	€ 7,551	€ 9,103	€ 92,421	€ 87	€ 93,202
Sweden	€ 1,985	€ 48,151	€ 420,718	€ 318,664	€ 349,736	€ 648,348	€ 1,058	€ 648,965
Switzerland	€ 11,061	€ 25,428	€ 10,454	€ 19,910	€ 16,563	€ 1,561,974	€ 4,231	€ 1,562,027
UK	€ 12,860	€ 3,335	€ 71,456	€ 1,553,800	€ 1,717,461	€ 472,963	€ 1,400	€ 1,973,148
Europe (13)	€ 58,961	€ 353,555	€ 3,633,794	€ 5,232,120	€ 3,275,930	€ 6,853,954	€ 20,269	€ 9,884,966
Growth (2011-13)	22,6%	24,9%	70,4%	65,4%	85,8%	91,2%	132%	46.00%

Source: Eurosif Study, 2014

## Sustainable and responsible investing in the United States 1995-2012

	1995	1997	1999	2001	2003	2005	2007	2010	2012
ESG Incorporation	\$166	\$533	\$1,502	\$2,018	\$2,157	\$1,704	\$2,123	\$2,554	\$3,314
Shareholder Resolutions	\$473	\$736	\$922	\$897	\$448	\$703	\$739	\$1,497	\$1,536
TOTAL	\$639	\$1,185	\$2,159	\$2,323	\$2,164	\$2,290	\$2,711	\$3,069	\$3,744



# Case Study – Inaugural Climate Bond of Agence Francaise de Developpement

## AFD Climate Bond Issue – Takeaways

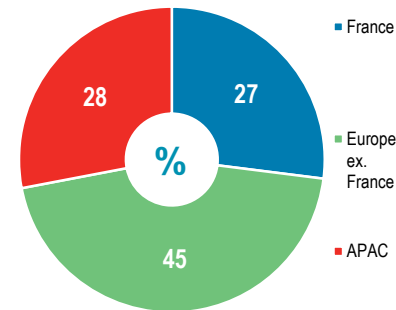
- AFD, which is rated AA+ by S&P and ranked 4<sup>th</sup> of 58 in the “Retail & Specialised Banks – Europe” by the extra-financial agency VIGEO, successfully issued its first Climate Bond on September 2014
- A total amount of €1000mn has been raised by the Development Bank at a 10 year maturity, with a 1.375% coupon
- The proceeds will be used for projects which have “a significant impact and quantifiable in terms of greenhouse gas emissions”, e.g. renewable energy, energy efficiency, low carbon transport and biological carbon sequestrations projects that meet the following set criteria :
  - Projects with an ex-ante analysis of its carbon footprint ;
  - Projects of climate change mitigation : carbon footprint < 10kteqCO2/year ;
  - Projects aligned with local public policies
- 49 investors (both “classic” and SRI investors) came into the transaction which was led jointly by BAML, BNP Paribas, CA CIB, and HSBC.
  - 70% SRI investors



## Transaction Summary

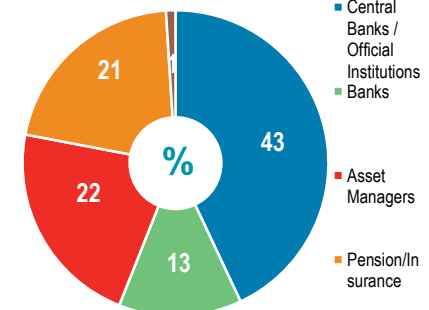
- Issuer: Agence Francaise de Developpement
- Issuer Rating: AA (S&P) / AA+ (Fitch)
- Amount: €1000mn
- Issue Date: September 17<sup>th</sup>, 2014
- Maturity date: September 27<sup>th</sup>, 2024
- Coupon: 1.375 %
- **BNP Paribas Bookrunner**

### Distribution by region



Source: BNP Paribas

### Distribution by type



# Case Study – Inaugural Green Bond of Hera S.p.A

€500,000,000 2.375% due July 2024

## Execution Highlights

### Terms & Conditions

Issuer:	Hera S.p.A.
Structure:	Senior Unsecured
Issuer Rating:	Baa1 Neg Moody's / BBB+ Stable S&P
Size:	EUR 500mn (no grow)
Coupon:	2.375%
Maturity Date:	4 July 2024
Re-offer Yield:	2.436%
Re-offer Spread:	MS+100bps
Docs/Den:	Lux Listing/ EMTN/ CoC/ EUR 100k+1k
Joint Bookrunners:	<b>BNPP</b> , Banca IMI, CA-CIB, DB, Medio, UniCredit,

### Book Analysis

Book Size:	> € 1,700 mn
# of Orders:	144

### Company Overview

Hera SpA was established in 2002 through the merger of 11 municipal utility companies operating in northern Italy (Emilia Romagna region).

Hera has continued its territorial expansion in neighbouring areas in order to enlarge its customer base. The Group mainly operates in Waste, Water, Gas, Electricity and District Heating.

**2013 Financials:** Revenues €4,579.7mn EBITDA €830.7bn, Net Debt €2,595.5mn

**Market Cap:** € 3,027.5mn (26/06/14)

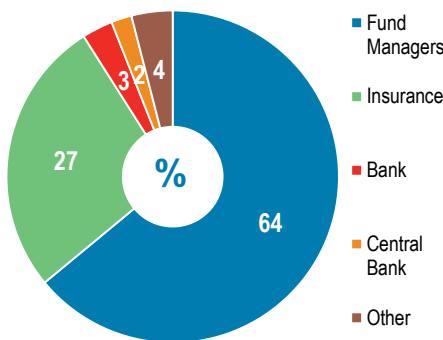
### Execution Strategy

- On June 19<sup>th</sup>, Hera announced a 4-day Pan-European roadshow (London, Paris, Frankfurt, Milan and conference calls with Danish investors) to emphasize its environmental credentials. Indeed a high percentage of investors meetings involved the relevant dedicated staff / SRI specialists at the buy side
- Simultaneously the Company launched a public tender offer on its EUR 500mn 4.125% bond due 2016. The tender was at a fixed-spread of MS-5bp and expired at 4pm CET on June 26<sup>th</sup> (see next pages)
- Given the positive progress of the tender offer, Hera decided to anticipate the execution of the green bond issue on June 26<sup>th</sup>, soon after the end of the Group breakfast in Milan
- At 10:45am CET, books opened with Initial price thoughts of 110bp area over mid-swap. Demand grew over EUR 1.7bn, allowing a revision of the official guidance to +100/105bp and to price at the tight end of the range
- As with other recent corporate green bonds, the deal was priced flat to the Issuer's curve, and in line with their senior debt
- Investors with "ESG" (Environment, Social and Governance) investment criteria accounted for 69% of allocation, mainly from France, Germany and UK

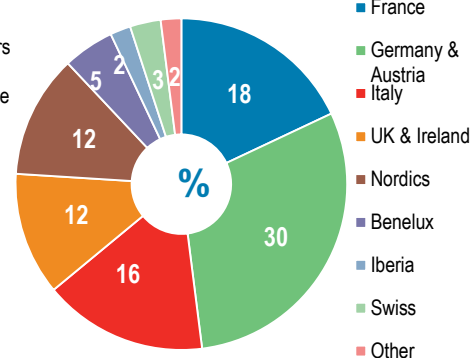
### Key aspects

- Hera, the Italian multi-utility leader in waste management, water and energy services, launched the first ever Green Bond from an Italian issuer, complementing its sustainability strategy and introducing in the country a concept that has been successfully used in Europe by other larger utilities
- The EUR 500mn 10Y green bond was the natural outcome of the large efforts made by Hera on the sustainability front since 2002 and provided a great opportunity to meet the demand of a growing number of sustainability-oriented international investors
- The proceeds will be used to refinance existing projects carried out in 2006-2013 and finance new investments planned until 2017 in the following areas: 1) fight against climate change; 2) improvement of air quality; 3) improvement of water purification; 4) waste cycle management
- Hera commissioned DNV GL to provide an opinion, based on the Green Bond Principles, giving external assurance to investors about the integrity of the bond with regards to the objectives stated above

### Distribution by Investor Type



### Distribution by Geography



Source: BNP Paribas



# Case Study – Inaugural Green Bond of Hera S.p.A

€500,000,000 2.375% due July 2024

## Selection Criteria, UoP and Reporting

### Selection Criteria

Environmental category	Environmental Green Projects category	Definition of criteria for project eligibility
<b>Fight against climate change</b>	Increase of energy production by non-fossil fuels	Photovoltaic plants for electrical energy production
		Biogas from landfills for electrical energy production
	Increase of energy efficiency	District Heating grids partly connected to cogeneration and/or thermal energy production plants from non-fossil fuels
		High Efficiency Cogeneration, combined production of heat and power (CHP)
<b>Increase Air quality</b>	Improvement of WTE plants for waste treatment	Improve WTE plants efficiency to increase electrical energy production from waste management
<b>Increase availability of clean water</b>	Improvement of wastewater treatment plants	Improve WTE plants efficiency to reduce air pollution from waste treatment
<b>Increase Sustainable Waste Management</b>	Increase of sorted waste collection and disposal and reduction of waste disposed in landfills	Improve wastewater treatment plants efficiency
		Dumpsters for sorted waste collection
		Community recycling depot

### Use of Proceeds

- The net proceeds of the issuance of the Notes will be used by the Issuer to finance and/or refinance, in whole or in part, Eligible Green Projects, carried out directly and/or indirectly through the Issuer's Subsidiaries
- "Eligible Green Projects" include Air Quality Projects, Projects to Fight Against Climate Change Projects, Waste Management Projects and Water Quality Projects"
- Hera has chosen to have a mix of financing and refinancing projects:
  - to show to investors that green investments at Hera are an historical strategic orientation that is part of its corporate DNA and that will continue in the future. The compliance of past projects with environmental criteria has been reviewed by DNV-GL under the framework of the "Environmental Protocol"
  - to provide investors with immediate environmental indicators on past projects' current and future achievements
  - to allow future green bond transactions based on future projects pipeline

### Internal System to track UoP and Reporting

- After issuance, net proceeds of the bonds will be immediately used to refinance some existing Eligible Green Projects
- Pending application of the net proceeds toward financing of new Eligible Green Projects, the Issuer will hold such amounts, at its discretion, in cash or other liquid marketable instruments in its liquidity portfolio
- The Issuer will establish internal tracking systems to monitor and account for the allocation of the proceeds. Such internal process has been reviewed by DNV-GL under the framework of the "Use of Proceeds protocol"
- Hera will report the projects annually in the Group Sustainability report (audited by DNV), in order to guarantee the correct and transparent allocation of the funds to the Eligible Green Projects and to show their environmental benefits
- A list of KPIs are defined for all the Green Project categories in order to measure and monitor the performance of Green Projects



# Case Study – Inaugural Green Bond of GDF Suez

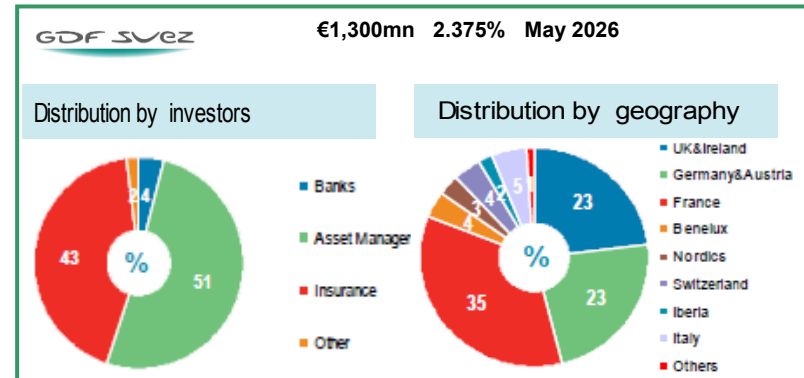
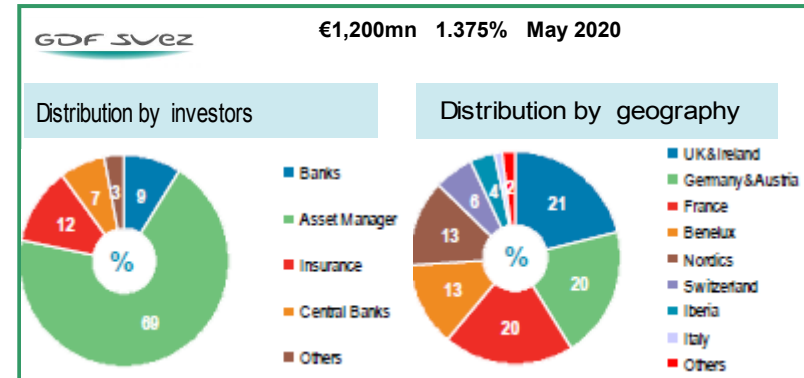
## GDF Suez Green Bond Issue – Takeaways

- GDF Suez, which is rated A by S&P was certified by the extra-financial agency Vigeo by validating the eligibility criteria of this largest corporate green bond to date
- A total amount of €2,500mn has been raised through two tranches : a EUR 1.2bn 1.375% 6 year Notes; and EUR 1.3bn 2.375% 12 year Notes
- The use of proceeds is under two broad headings of Renewable Energy Projects and Energy Efficiency Projects, with fossil fuel and nuclear projects being excluded
  - Proceeds will finance future projects and those funded or disbursed during the past financial year (since January 2013)
- Books were three times oversubscribed with more than 500 accounts
  - 64% of SRI investors
- Final terms were released with a final spread set at MS+42bp for the 6-year tranche and MS+60bp for the 12-year tranche
- According to trading comparison, there was a limited new issue premium of ~4bps on the 6-year and 2bp on the 12-year tranches



## Transaction Summary

- Issuer: GDF Suez
- Issuer Rating: A (S&P) / A1 (Moody's)
- Amount: €2,500mn in two tranches (6Y and 12Y)
- Issue Date: May 19<sup>th</sup>, 2014
- Maturity date: May 19<sup>th</sup>, 2020 ; May 19<sup>th</sup>, 2026
- Coupon: 1.375% ; 2.375%
- **BNP Paribas Bookrunner**



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Registered office: 10 Harewood Avenue, London NW1 6AA.

Tel: +44 20 7595 2000 Fax: +44 20 7595 2555 [www.bnpparibas.com](http://www.bnpparibas.com)

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# Green bond strategy



November 13<sup>th</sup> 2014

Green Bonds Conference  
Eude Business School





# Mirova, one of Natixis Global AM affiliates

(1)



**BPCE**  
2<sup>nd</sup> largest French banking group

- 36 millions customers
- 8,7 millions cooperative shareholders
- 8 000 branches



**NATIXIS**  
GLOBAL ASSET MANAGEMENT

- A multi-affiliate structure with 20 investment management companies applying multiple investment philosophies
- Global distribution platform covering Europe, the US, Asia and the Middle East
- The world's 15<sup>th</sup> biggest asset manager <sup>(2)</sup>
- €629.2 billion AuM



is the affiliate dedicated to Responsible Investing

Data as of 31/12/2013.

<sup>(1)</sup> BPCE S.A. <sup>(2)</sup> Source: Cerulli Quantitative Update. Global Markets 2013, ranked Natixis Global Asset Management, S.A. as the 15<sup>th</sup> largest asset manager in the world based on assets under management as of 31/12/2012.



# Industry-leading investment thinkers in key markets globally

## North America

<p>Active Investment Advisors<sup>1</sup> Index-based Solutions</p>	<p>Expertise: Index-based solutions Founded: 2002 Headquarters: Oakland, CA AUM: \$545 M/€395 M</p>	<p>CASPIAN<sup>2</sup> PRIVATE EQUITY</p>	<p>Expertise: U.S. private equity Founded: 2008 Headquarters: New York, NY AUM: \$1.2 B/€894 M</p>	<p>MPA   MANAGED PORTFOLIO ADVISORS<sup>®1</sup></p>	<p>Expertise: Overlay management Founded: 2005 Headquarters: Oakland, CA AUM: \$12.1 B/€8.7 B</p>
<p>AEW</p>	<p>Expertise: Real estate investments Founded: 1981 Headquarters: Boston, MA AUM: \$17.9 B/€13.0 B</p>	<p>GATEWAY INVESTMENT ADVISERS, LLC</p>	<p>Expertise: Hedged equity strategies Founded: 1977 Headquarters: Cincinnati, OH AUM: \$12.5 B/€9.1 B</p>	<p>McDONNELL INVESTMENT MANAGEMENT, LLC</p>	<p>Expertise: Fixed-income specialist managing taxable &amp; tax-exempt bond portfolios Founded: 2001 – leadership since 1987 Headquarters: Oak Brook, IL AUM: \$11.6 B/€8.4 B</p>
<p>ALPHASIMPLEX</p>	<p>Expertise: Alternative investment strategies Founded: 1999 Headquarters: Cambridge, MA AUM: \$4.3 B/€3.1 B</p>	<p>Hansberger Global Investors, Inc.</p>	<p>Expertise: Global/international investments Founded: 1994 Headquarters: Ft. Lauderdale, FL AUM: \$4.3 B/€3.1 B</p>	<p>Reich &amp; Tang OUR FLEXIBILITY.YOUR ADVANTAGE<sup>®</sup></p>	<p>Expertise: Money market mutual funds, FDIC deposit programs &amp; cash management services Founded: 1970 Headquarters: New York, NY AUM: \$16.7 B/€12.1 B</p>
<p>AURORA Investment Management</p>	<p>Expertise: Alternative investment management Founded: 1988 Headquarters: Chicago, IL AUM: \$9.3 B/€6.7 B</p>	<p>HARRIS ASSOCIATES LP Advisor to The Osborn Funds</p>	<p>Expertise: Value investments Founded: 1976 Headquarters: Chicago, IL AUM: \$117.9 B/€85.6 B</p>	<p>SNYDER CAPITAL MANAGEMENT, L.P.</p>	<p>Expertise: U.S. small, small/mid-cap and concentrated all-cap value investments Founded: 1984 Headquarters: San Francisco, CA AUM: \$2.2 B/€1.6 B</p>
<p>Capital Growth Management</p>	<p>Expertise: Concentrated equity portfolios Founded: 1990 Headquarters: Boston, MA AUM: \$4.0 B/€2.9 B</p>	<p>LOOMIS   SAYLES</p>	<p>Expertise: Actively managed, research-driven equity and fixed-income portfolios Founded: 1926 Headquarters: Boston, MA AUM: \$195.6 B/€141.9 B</p>	<p>VAUGHAN NELSON INVESTMENT MANAGEMENT</p>	<p>Expertise: U.S. equity investments Founded: 1970 Headquarters: Houston, TX AUM: \$9.3 B/€6.7 B</p>

## Europe

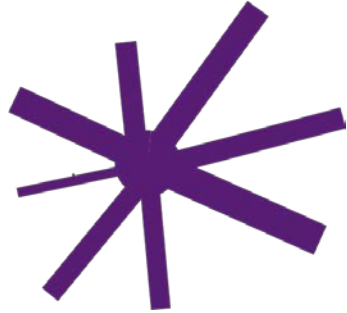
<p>AEW EUROPE</p>	<p>Expertise: European real estate Founded: 1999 Headquarters: Paris, France AUM: \$24.8 B/€18.0 B</p>	<p>DORVALFINANCE FLEXIBLE PAR CONVICTION</p>	<p>Expertise: Flexible management Founded: 1993 Headquarters: Paris, France</p>	<p>ossiam</p>	<p>Expertise: Smart beta ETFs Founded: 2010 Headquarters: Paris, France AUM: \$1.5 B/€1.1 B</p>
<p>AXELTIS</p>	<p>Expertise: Fund distribution solutions Founded: 2002 Headquarters: Paris, France</p>	<p>H2O Asset Management</p>	<p>Expertise: Alternative global fixed-income and global macro management Founded: 2010 Headquarters: London, UK AUM: \$4.3 B/€3.1 B</p>	<p>SEEBYOND Investing beyond beta</p>	<p>Expertise: Active management Founded: 2012 Headquarters: Paris, France</p>
<p>cube<sup>3</sup> INFRASTRUCTURE FUND</p>	<p>Expertise: Brownfield infrastructure, euro-denominated, hands-on investment strategy Founded: 2007 Headquarters: Luxembourg, Luxembourg AUM: \$1.3 B/€930 M</p>	<p>mirova<sup>4</sup> Responsible Investing</p>	<p>Expertise: Responsible investment solutions Founded: 2012 Headquarters: Paris, France</p>	<p>VEGA<sup>5</sup> INVESTMENT MANAGERS</p>	<p>Expertise: Multi-management solutions specialists Founded: 2013 Headquarters: Paris, France AUM: \$7.5 B/€5.4 B</p>
<p>DARIUS CAPITAL PARTNERS</p>	<p>Expertise: Customized hedge fund solutions Founded: 2004 Headquarters: Paris, France</p>	<p>NATIXIS ASSET MANAGEMENT</p>	<p>Expertise: Money market, fixed-income, equity and balanced portfolio investments Founded: 1984 Headquarters: Paris, France AUM: \$401.1 B/€291.0 B</p>		

## Asia

<p>ABSOLUTE ASIA ASSET MANAGEMENT</p>	<p>IDFC</p>	<p>Expertise: Indian equity/fixed-inc. investments Founded: 1997 Headquarters: Mumbai, India AUM: \$6.3 B/€4.6 B</p>
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# Mirova by numbers



- Capitalizing on **30 years** of experience in Responsible Investing within Natixis AM
- Own brand launched in **2012**
- **46** multi-disciplinary experts
- **€4.5** bn AuM
- **5** capabilities around Responsible Investing

Mirova awarded as **"leading fund management firm/best at SRI/ESG in 2014"** by Thomson Reuters and UKSIF <sup>1</sup>



**Equities**

€ 2.7 bn

Investing in sustainable business models that create long-term value



**Fixed Income**

€ 1.2 bn

Combines responsibility with conviction-based management in bond markets by integrating ESG criteria



**Infrastructure**

€ 502 million

Supporting responsible infrastructure projects



**Impact Investing**

€ 111 million

Reconciling the social and/or environmental impact with a financial return



**Voting & Engagement**

€ 38.3 bn

Exercising its shareholders' responsibility with guidance from governance and engagement experts

Source: Natixis Asset Management – Mirova 30/09/2014

1- The 2014 Survey represents the views of over 360 investment professionals from 27 countries, making it the most extensive assessment of socially responsible investing (SRI) in the European investment community. Voting was conducted from 24th March to 7th May 2014. It reflects a contribution from 179 buy-side firms and 14 brokerage firms/research houses. More information on [www.uksif.org](http://www.uksif.org). Reference to a ranking and/or a price does not indicate the future performance of the fund manager.



# Mirova, a pioneer in the Green Bond market

As an asset management company dedicated to responsible investment, Mirova is a pioneer leading the way in developing the Green Bond markets through:

- Active participation from 2012 in the **1st wave of Green Bond issues** with investment of >\$200M (EIB, IFC, AFDB...)
- A Responsible Investment Research team of 11 analysts **wholly dedicated to ESG Analysis**
- **A process designed especially for the analysis of Green Bonds**
- An active presence with major **professional bodies** relating to Green Bonds. We are members of ICMA for the Green Bond Principles...
- **An experienced team of senior managers** with expertise in the areas of environmental investment and specifically Green Bonds.



# 1. Development: new challenges ahead



# Financing green projects

- World energy demand has more than doubled in 40 years, this trend should to accelerate:

## *Population Growth*

**9.6 billion**

Number of human being estimated in the horizon 2050

## *Urbanization*

**70%**

Of worldwide population will live in a urban area in 2050

## *Emergence of a middle class in emerging countries*

**3 billion**

New customers are expected to join the middle class by 2030

- To minimize the impacts, it is essential to fight against climate change and global warming . This requires substantial investments for example:
  - Low-carbon energy: **\$ 147 billion per year of additional investment** <sup>1</sup>
  - Energy efficiency : **\$ 336 billion investment per year until 2035**<sup>1</sup>



# Green Bonds: environmental and financial returns for double impact

## A Green bond

- Finance green growth through specific projects with environmental vocation
- Offers a market return as conventional bonds

## Green bonds can be issued by

- A government agency, supranational organization
- A development bank
- A corporate, bank or municipal...

## Engagement of the issuer

- Use of funds to finance environmental projects
- Diffusion of a reporting on an annual basis

## A growing market

- New banks originating
- New issuers (Svenska Cellulosa, GDF, Hera, KKW, AFD...)
- Additional issuance from existing issuers (région Île de France, EIB)
- Issuers with a broader spectrum of credit ratings (AAA to BBB)
- Covered green bonds...

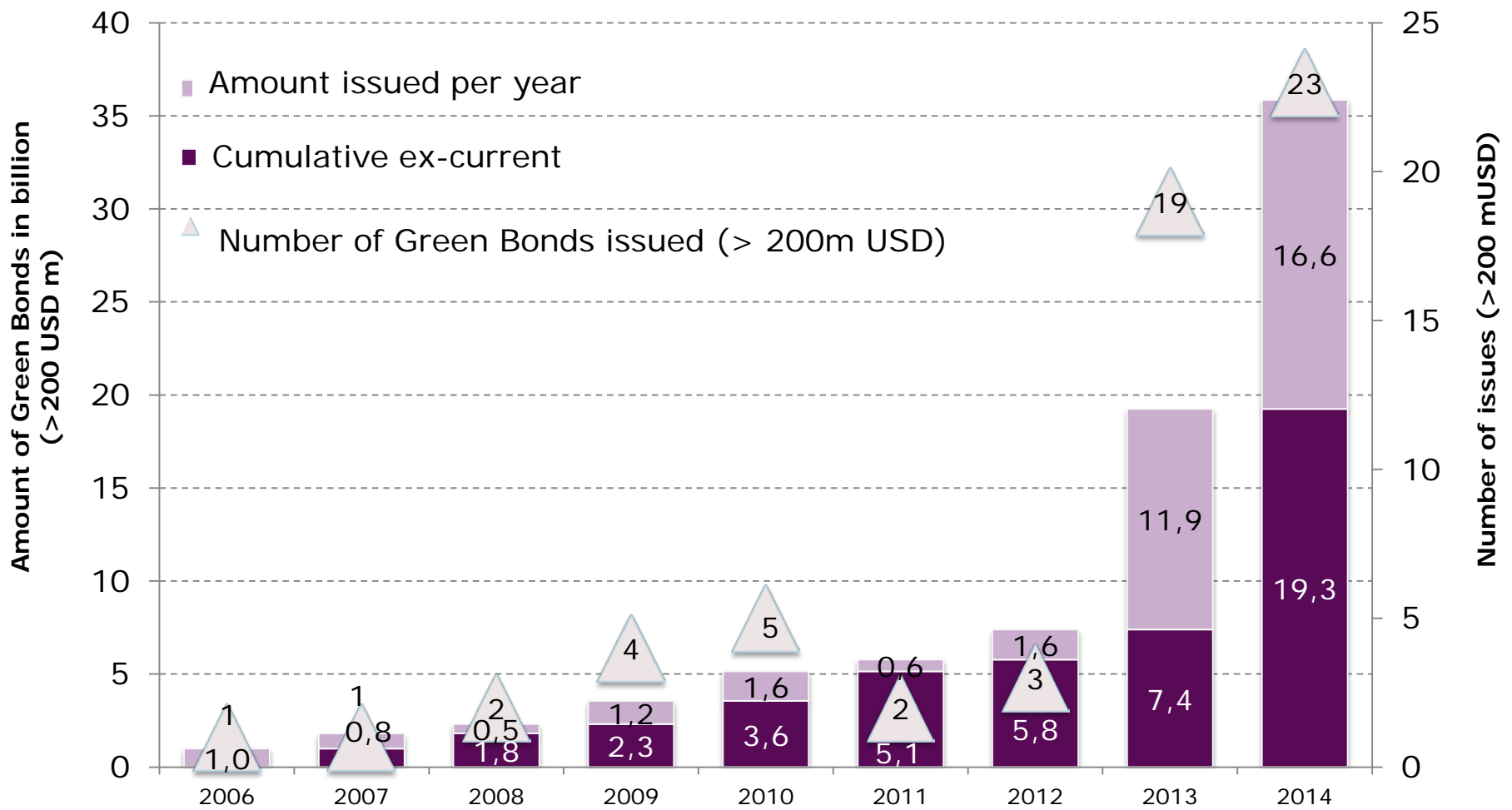


## 2. The Green Bond Market



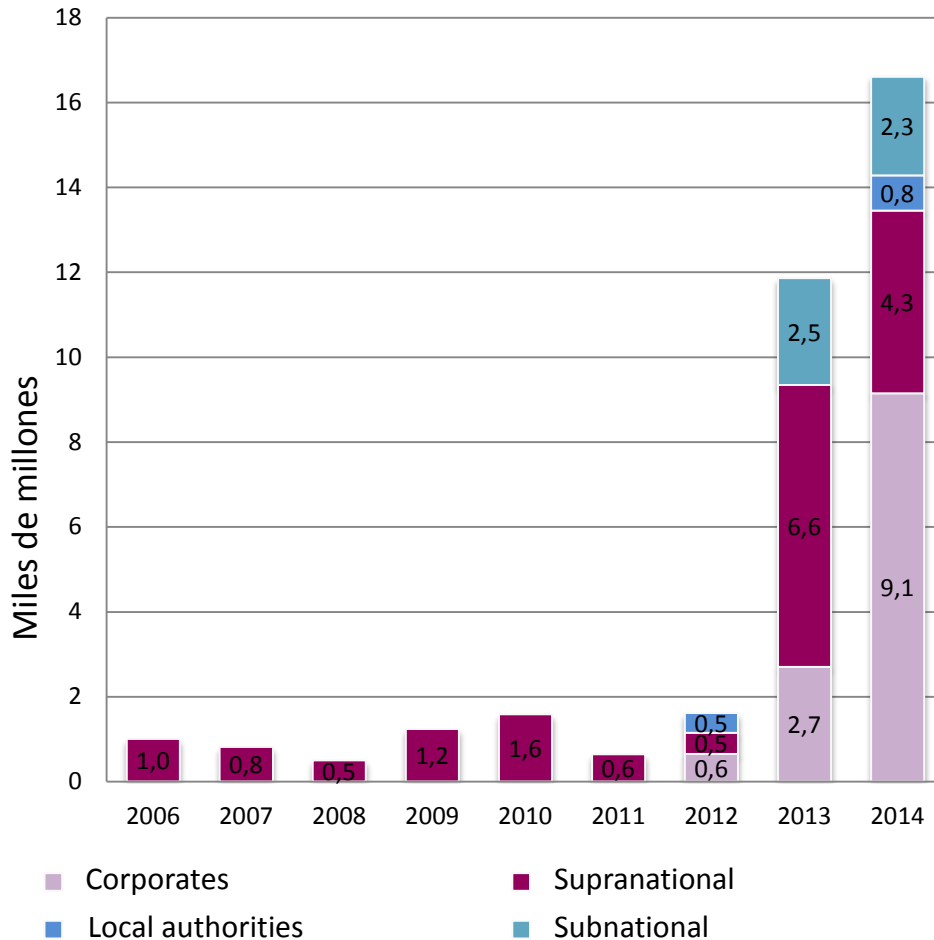
# A market experiencing rapid growth ...

## Cumulative issuance of Green Bonds above \$ 200m at the end of August 2014





## Breakdown of Green Bonds (> \$ 200m) by issuer at end of August 2014



## Examples of issuers

### Corporates

- Unibail
- EDF
- GDF
- Bank of America

### Subnational

- KFW
- French Agency for Development

### Supranational

- BEI
- BAFD
- World Bank
- BIRD

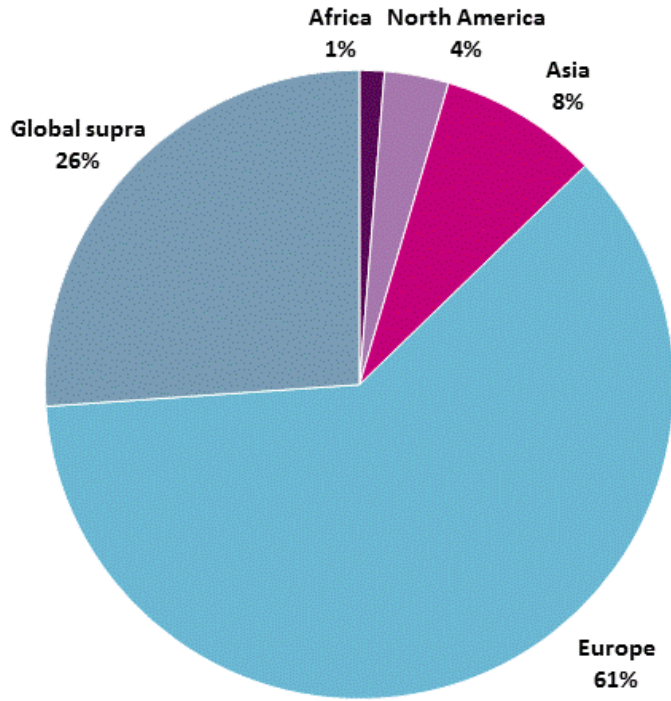
### Local Authorities

- Région Ile de France
- Johannesburg City

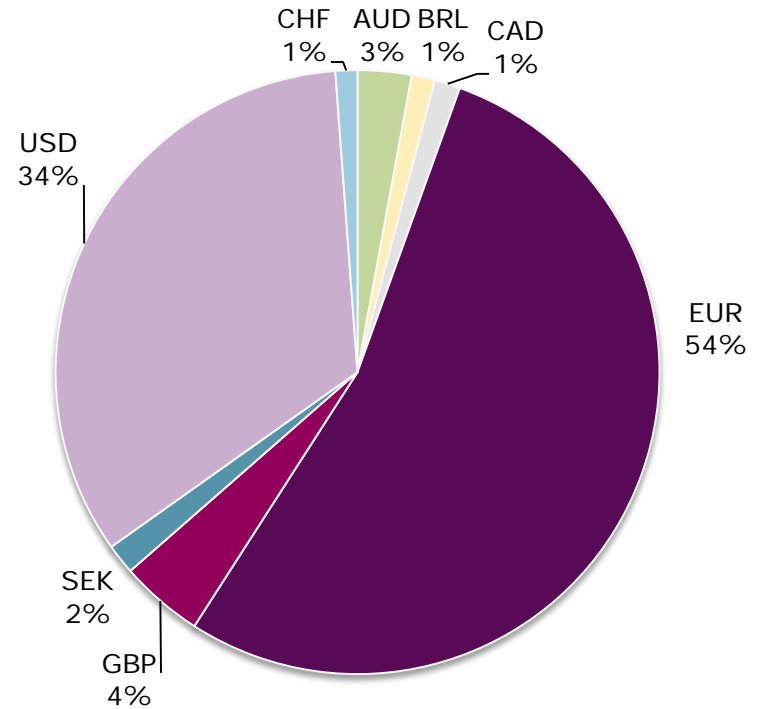


# ... as well as geographic location and currency

### Geographical breakdown (>200mUSD)



### Currency breakdown (>200mUSD)

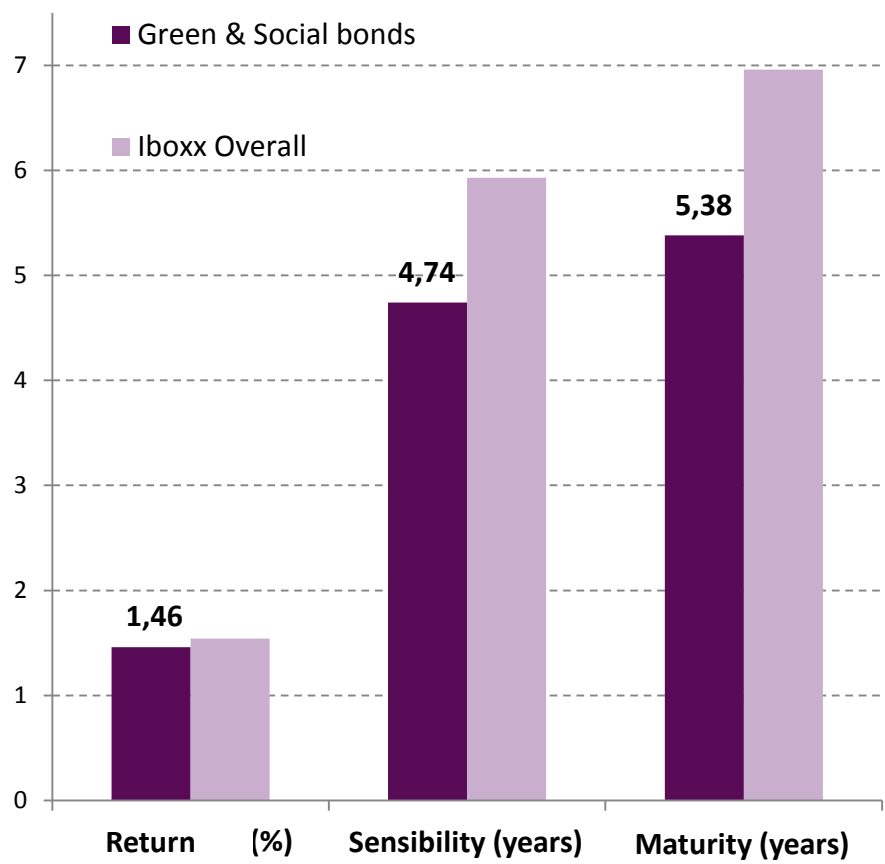


Source : Mirova – August 2014



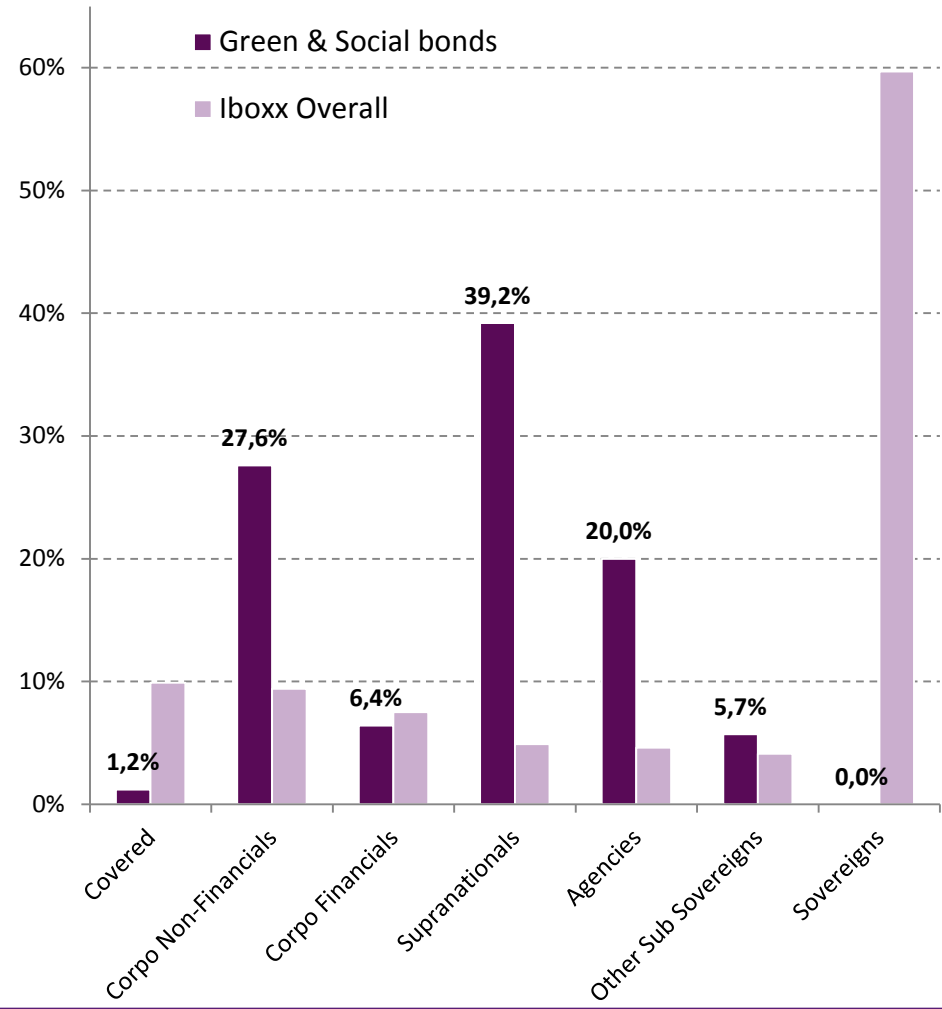
# Green Bonds vs the Bond Market as of end of August 2014

## Characteristics



Source : Mirova – August 2014

## Composition





# Green bonds issued and eligible to the Mirova portfolios

Issuer Name	Cpn	Maturity Date	Curr	Amt Outstanding	BBG Comp	type
Electricite de France 2021	2.250	27/04/2021	EUR	1 400 000 000	A+	corp
European Investment Bank 2019	1.375	15/11/2019	EUR	2 600 000 000	AAA	agency
NRW Bank	0.750	28/11/2017	EUR	250 000 000	AA	agency
International Finance Corp	0.500	16/05/2016	USD	1 000 000 000	AAA	agency
International Bank for Reconstruction & Development	0.375	24/08/2015	USD	550 000 000	AAA	agency
Bank of America Corp	1.350	21/11/2016	USD	500 000 000	BBB+	bank
Export-Import Bank of Korea	1.750	27/02/2018	USD	500 000 000	A+	agency
African Development Bank	0.750	18/10/2016	USD	500 000 000	AAA	agency
Kommunalbanken AS	0.750	21/11/2016	USD	500 000 000	AAA	agency
Kommunalbanken AS	0.750	21/11/2016	USD	500 000 000	AAA	agency
FMO	1.250	13/11/2018	EUR	500 000 000	AAA	agency
Ile de France 2024	3.635	27/03/2024	EUR	350 000 000	AA	region
Air liquide	2.125	15/10/2021	EUR	500 000 000	A+	corp
International Finance Corp			USD	1 000 000 000	AAA	agency
International Bank for Reconstruction & Development 2017	0.25	20/03/2017	EUR	550 000 000	AAA	agency
Svenska Ceelulosa 2019	FRN	02/04/2019	SEK	250 000 000		corp
Unibail 2024	2.5	26/02/2024	EUR	750 000 000	A+	corp
Gaz de France 2026	2.375	19/05/2026	EUR	1 300 000 000	A	corp
Gaz de France 2020	1.375	19/05/2020	EUR	1 200 000 000	A	corp
Ile de France 2026	2.375	24/04/2026	EUR	600 000 000	AA+	region
Toyota (abs)	0.19		USD		AAA	corp
Toyota (abs)	0.41		USD		AAA	corp
Toyota (abs)	0.67		USD		AAA	corp
Toyota (abs)	1.18		USD	1 750 000 000	AAA	corp
Vornado Realty Trust		30/06/2019	USD	300 000 000	BBB	corp
Ville de johanesbourg						region
Nederland Waterschapsbank 0.625 07/2019	0.625	03/07/2019	EUR	500 000 000	AA+	agency
Hera spa 04/07/2024*	2.375	04/07/2024	EUR	500 000 000	BBB	corp
KFW 0.375 % 22/07/2019	0.375	22/07/2019	EUR	1 500 000 000	aaa	agency
AFD 1.375% 17/009/2024	1.375	17/09/2014	EUR	1 000 000 000	AA	agency
European Investment Bank 2026	1.25	13/11/2026	EUR	750 000 000	AAA	agency



Green Bonds in portfolio



### 3. Mirova's green bond analysis



# How to select a “good and real” green bond?

## Green washing risk:

- Weak environmental projects and low engagement
- Insufficient specific documentation and poor transparency
- Low level impact

A Green Bond requires three distinct levels of analysis:

- 1. A carefully designed process for analyzing its environmental impact**
- 2. A review of the issuer’s risk profile**
- 3. The financial profile analysis (maturity, credit profile, yield, etc)**



# Mirova's Green Bond analysis principles

In addition to a full analysis of the issuer, each Green Bond is analyzed in its own right. We base our definition of a Green Bond on the Green Bond Principles, but we try go a step further:

## 1. Selection process

We seek to finance projects with an impact (direct and indirect) specific and measurable in the environment and the society.

It is important to us that the environmental and social benefits of a bond's underlying projects be greater than those of a conventional project.

## 2. Project evaluation

We want to know precisely the nature and location of projects. We analyze the entire production line and the consumer benefits. These project must approach the best market standards.

Project evaluation should take place independently from issuer evaluation.

## 3. Monitoring of transfers

We would like to see the issuer to employ a tracking system providing us assurance that the target projects are the ones being funded.

## 4. Reporting

We would like to see an Annual Report of the projects analyzing environmental and social impacts. This report should be independently reviewed by an external auditor.



# Example of Green Bond specific report: the EIB

The EIB launched its Climate Awareness Bonds in 2007, however, the first « liquid » bonds came to market in 2013. The program's goal is to allocate funds to projects in the area of energy efficiency and renewable energy:

- **Renewable energy** (windpower production, hydroelectric, solar and geothermic power)
- **Energy efficiency**: urban heating, cogeneration, building insulation, reduction of energy losses during energy transport.

## Examples of projects financed by the Climate Awareness Bonds program:

London Array offshore windfarm,  
**World's largest offshore wind farm**



Enel Greenpower Energie Ronnivabili II,  
**Capacity of 840MW**







# Environmental metrics classification

## Ranking of exposure by issue

### Climate change



- **High** : Contribution of energy transition
- **Significant** : Significant reduction of CO2 emissions
- **Low or no** : Reduction in line with the sector practices
- **Negative** : Project that have a negative impact in terms of CO2 emissions

### Resource



- **High** : Circular economy, recycling, avoid resources use
- **Significant** : Reduce resources use
- **Low or no** : Reduction in line with the sector practices (BAU)
- **Negative** : Project that have a negative impact in terms of rare resource use

### Pollution



- **High** : Above the standards + best available technology
- **Significant** : BAU (given that standards are often non achieved)
- **Low or no** : Non respect of standards
- **Negative** : Significant deterioration in terms of pollution

### Biodiversity



- **High** : Strengthen the biodiversity, repopulation of endemic species
- **Significant** : Biodiversity offsets
- **Low or no** : Respect of standards (BAU)
- **Negative** : Significant deterioration of biodiversity (degradation of habitats and natural ecosystem )



# Investment philosophy

## Core Beliefs

Environmental transition is a major challenge of our world

In the medium term, each asset class valuation is driven by the real economy and by market extremes

Bonds benefit from both risk and opportunity analysis

## Investment principles

This challenge requires investments through green bonds or new green businesses

Combining a conviction-based management with an active, medium-term allocation approach enables us to capture opportunities within economic cycles and attractive valuation

Combining financial and ESG analysis improves the risk/return profile of the portfolio. ESG analysis highlights risks that are often overlooked by financial analysis and helps to identify issuers that may benefit in the future from ESG themes.



**Top Down Approach**

**Bottom up Approach**

*Allocation*

*Security Selection*



# Investment process

## ALLOCATION

Evaluation of the economic cycle & market theme analysis leads to our asset class and geographical allocation

### Resources:

- Economic scenario issued by Natixis AM's economic research
- Bond research
- Market theme analysis
- Natixis AM's Fixed Income research

## Strategy

- Sub-class analysis
- Duration and yield curve positioning
- Risk assessments

Combination of ESG profile and financial profile for each bond

## SECURITY SELECTION

### Resources:

- Credit analysis issued by Natixis AM's Credit Research team composed of 15 people
- Green analysis issued by our in-house Responsible Research Team composed of 11 people
- Management team composed of 3 people including 2 senior managers



# Consistent fixed income approach

Mirova's fixed-income team has an overall management approach used by its entire family of funds.

Funds follow an **asset class allocation process** and strategies based on analysis of economic cycles as well as market opportunities.

This active management process was established in 2008 as part of the **Aggregate ESG Strategy** and has demonstrated its robustness by making the most of several different market phases by relying on **multiple performance drivers**:

Overperformance attribution of Composite Aggregate ISR	2009	2010	2011	2012	2013	YTD 2014
Allocation by sub asset class	++	+	++	0.56	0.28	0.13
Credit selection	-	-	--	0.27	0.29	0.21
State/agency selection	-	=	+	-0.3	0.71	0.90
Diversification				0.08	0.33	-0.41
Duration & curve	+	+	+	0.42	-0.05	0.58
Other					-0.06	0
<b>Total overperformance</b>	<b>1.2</b>	<b>0.35</b>	<b>-0.39</b>	<b>1.03</b>	<b>1.5</b>	<b>1.14</b>

++/+ : significantly positive contribution / positive contribution

=: no contribution

--/: significantly negative contribution / negative contribution

**The green bond fund will benefit from this house approach as it applies to the Green Bond universe.**



# Conclusion

- 1. Combining financial results with environmental and social impact**
- 2. Performance drivers:**
  - **Allocation by sub class**
  - **Allocation by region**
  - **Allocation by sector**
  - **Security selection**
  - **Active management of overall duration and position on the yield curve**



# Appendices

# ESG Dashboard

## Examples:

Title	ESG Score	ESG Reco	E Reco	S Reco	G Reco
<b>Agency/ Supra</b>					
AFRICAN DEV BANK .750% 18-10-16	9.00	Committed	Positive	Positive	Positive
ASIAN DB 2.35% 21/06/27	7.75	Positive	Positive	Positive	Positive
EIB 1.375% 15-11-19	9.50	Committed	Positive	Positive	Positive
EIB 1.4 06/20/17	8.25	Positive	Positive	Positive	Positive
INTL FIN CORP .625% 15-11-16	9.00	Committed	Positive	Positive	Positive
KFW 0.375% 22-07-19	9.00	Committed	Positive	Positive	Positive
<b>Corporates</b>					
ELEC DE FRANCE 2.250% 27-04-21	9.50	Committed	Positive	Positive	Positive
GDF SUEZ 2.375% 19-05-26	9.00	Committed	Positive	Positive	Positive
HERA SPA 2.375% 04-07-24	9.00	Committed	Positive	Positive	Positive
UNIBAIL-RODAMCO 2.500% 26-02-24	9.00	Committed	Positive	Positive	Positive



# Example: EDF (US00828EAX76)

## Description of the bond

**Issue date:** 27/11/2013  
**Maturity (years):** 8  
**Amount (USD m) :** 1 907  
**Currency:** EUR

**Type of bond:** Green Bond  
**Project(s) phase:** New projects  
**Main type of benefit(s):** GREEN  
**Purpose:** Renewable energy projects

	Compliance	Information
Eligibility criteria	YES	- Electricity production from renewable sources such as wind, photovoltaic, biogas, marine energy, etc. - Compliance with the sustainability criteria of Vigeo
Second opinion	YES	VIGEO
Account	YES	Allocated to a sub portfolio
Reporting	YES	Annually
Third Opinion	YES	Deloitte & Associés

Beyond a strong environmental contribution, this bond is in compliance with a sustainability management of risks.

**COMMITTED ( 10)**

## Sustainability opinion (High)

EDF's bond finances renewable energy project(s) complying with sustainability criteria defined by VIGEO at the time of issue. Projects are led by EDF Energies Nouvelles. At 30 June 2014, EDF had allocated €550 million out of the €1.4 billion raised through the Green Bond to finance 10 projects (wind, solar PV, biogas) located in France and North America. This Green bond fully addresses climate change and resource depletion issues.

## Risks review (Positive)

Projects are complying with VIGEO's criteria covering civil rights and governance in country location of the projects, management of environmental impacts, protection of workers' health and safety, promotion of responsible supplier relationship and dialogue with local players. Therefore, all potential environmental or social risks related to projects are taken into account before the launch of the project. This level of information regarding risks review management relative to projects underlying to a bond is high compared to other Green or Social bonds. In terms of governance of the bond, EDF annually reports KPI's relating to the bond. Furthermore, the Group is committed to disclose every year the list of those eligible projects that were selected to receive financing from the Green Bond proceeds. This information is submitted to independent verification by one auditor. At the 31 December 2013, 4 projects were financed (3 wind and 1 biogas) representing a total installed capacity of 507 MW.





# Example: KFW (XS1087815483)

## Description of the bond

**Issue date:** 22/07/2014  
**Maturity (years):** 10  
**Amount (USD m) :** 996  
**Currency:** EUR

**Type of bond:** Green Bond  
**Project(s) phase:** New and existing projects  
**Main type of benefit(s):** GREEN  
**Purpose:** Renewable energy projects

	Compliance	Information
Eligibility criteria	YES	- GHG emissions avoided - Jobs created - Fossil fuel imports avoided
Second opinion	YES	CICERO
Account	YES	Separated internal account for the Green Bond
Reporting	YES	Annually
Third Opinion	YES	ZSW

This bond contributes to finance energy transition and does not pose environmental or social risks.

**COMMITTED ( 10)**

## Sustainability opinion (High)

The "Renewable Energy" programme contributes to energy transition. KFW provides financings for facilities to generate energy from solar, wind, hydropower and biomass sources. In 2013, the "Renewable energies" program had a volume of EUR 4.7 bn.

With this program, KFW addresses three issues: climate change, resource depletion and development with creation of jobs. Since 2010, KFW disclose figures concerning benefits provided by this program: jobs created and securized, reduction in GHG emissions, fossil fuel imports avoided.

## Risks review (Positive)

Project(s) underlying of this bond do not pose major environmental or social risks. Even though no information concerning specific risk management deployed for these projects is disclosed, KFW is a German development bank with a risk review ranking at "positive". To obtain support of KFW, each project is stringently evaluated.

In terms of governance of the bond, KFW annually reports on environmental and social benefits. This reporting is verified by an external auditor, ZSW. In addition, CICERO reviewed and evaluated KfW's Green-Bond-concept through a second opinion.



# Legal information (1/2)

## **MIROVA**

Limited liability company - Share capital € 7 461 327, 50

Regulated by AMF under n° GP 02-014

RCS Paris n° 394 648 216

Registered Office: 21 quai d' Austerlitz – 75 013 Paris

Mirova is a subsidiary of Natixis Asset Management.



## **NATIXIS ASSET MANAGEMENT**

Limited liability company - Share capital €50 434 604,76

Regulated by AMF under n° GP 90-009

RCS Paris n° 329 450 738

Registered Office: 21 quai d' Austerlitz – 75 634 Paris Cedex 13

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# Legal information (2/2)



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All amounts shown are expressed in EUR unless otherwise indicated.

# ABENGOA

## SECOND PARTY\* OPINION ON SUSTAINABILITY OF ABENGOA'S "SUSTAINABLE GREEN BOND"

### VIGEO OPINION

#### SCOPE

Vigeo was commissioned to provide an independent opinion on the sustainable credentials of Abengoa's Green Bond, according to the Vigeo Environmental, Social and Governance (ESG) assessment methodology. The steps include:

- Analysis of the issuer CSR performance, controversies and allegations on ESG issues and capacity to mitigate these risks
- Identification of the project's environmental and social benefits and analysis of ESG integration in the project selection and management
- Assessment of reporting capacity and commitments for project fund allocation, environmental and social outcomes and ESG project management.

#### SUMMARY

In light of our review and interactions with Abengoa, Vigeo confirms Abengoa is issuing a « Sustainable Green Bond » to finance future or under development or construction phase projects regarding Renewable Energy, Energy efficiency, Energy transmission, & distribution, Water transmission, & distribution, Water management, Bioenergy and Waste to energy that contribute to the fight against climate change and energy transition, protection of water resources, creation of local employment and improvement of access to clean energy and drinking water, in line with its sustainable development commitments.

##### 1. Issuer

###### Level of CSR performance:

As of May 2014, Abengoa is ranked 3rd out of 17 in Vigeo's Industrial Goods and Services European sector. The assessment process carried out during the green bond analysis shows the issuer's commitments towards human rights, human resources (except for responsible management of reorganisation), environment (except for pollution prevention & control and Atmospheric emissions), business behaviour, community involvement and the governance policy are considered as relevant\*\*. Those commitments could be backed with more quantitative targets.

Abengoa is not involved in any of the 9 disputable activities analyzed by Vigeo.

**ESG controversies:** As of 2014/07/31, Abengoa faces isolated controversies. When involved in these controversies, regarding promotion of the social and economic development, prevention of corruption and antitrust practices, Abengoa has been cooperative with relevant parties and transparent.

**ESG risk mitigation:** Vigeo's level of assurance on Abengoa's management of its CSR risks ranges from weak\*\* to reasonable\*\*. In particular, our level of assurance regarding the management of risk its operational efficiency is good while our level of assurance regarding the management of CSR risks related to its reputation and human capital cohesion is moderate and on for its legal security is low.

##### 2. Projects

**Project identification:** According to Abengoa's CSR Strategy and its commitments to sustainability and the fight against climate change, the Company will finance green projects which are clearly defined as:

- Renewable Energy
- Energy transmission & distribution
- Energy efficiency
- Water transmission & distribution
- Water management
- Bioenergy
- Waste to energy

Environmental and social outcomes of these green projects categories have been identified: contribution to fight against climate change and ecological transition, creation of local employment and improvement of access to clean energy and drinking water.

**Project selection:** The selection process of projects to finance is designed and includes compliance with relevant criteria, belonging to Environment, Human Resources, Human Rights, Business Behaviour, Local communities and Governance domains. These ESG criteria are visible, precise, measurable and relevant and the selection process is based on a framework publicly available on Abengoa's website, aiming at a responsible management of projects.

##### 3. Reporting

Abengoa is committed to report annually in its CSR Annual Report available on Abengoa's website and verified by a third party, on

- The fund allocation to eligible projects (list of financed projects) and the compliance of the net proceeds' allocation with the above described process
- Effective environmental and social outcomes and responsible management of projects financed, with relevant indicators regarding the integration of ESG issues, covering all sustainability domains and criteria

- **Level of reporting commitment:** Abengoa's commitment to account on projects to finance covers both the selection and management phases, showing a consistent level of transparency on all reporting issues. Vigeo's level of assurance on Abengoa's commitment on reporting is reasonable\*\*.

\* **Second Party Opinion – Green Bond Principles:** This opinion is to be considered as the "Second Party Opinion" described in the Voluntary Process Guidelines for Issuing Green Bonds, issued by Green Bond Principles, January 13th 2014. Vigeo considers that this Green Bond aligns with the Green Bond Principles, as dated January 13th 2014.

**Disclaimer:** This opinion aims to explain for investors why the Green Bond is considered as sustainable and responsible, based on the information which has been made available to Vigeo and which has been analysed by Vigeo. Providing this opinion does not mean that Vigeo certifies the materiality, the excellence or the irreversibility of the projects financed by the Green Bond. Abengoa is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo neither focuses on financial performance of the Green Bond, nor on the effective allocation of funds' use of proceeds. Vigeo is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of Abengoa or its financial obligations.

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\*\* Vigeo's scales are defined as follow:

Commitments: highly relevant, Relevant, Partially relevant, Not relevant  
Ability to mitigate ESG controversies: Advanced, Robust, Limited, Weak  
Level of assurance: Reasonable, Moderate, Weak

Paris, September 1<sup>st</sup> 2014.

## METHODOLOGY

In Vigeo's view, environmental, social and governance factors are intertwined and complementary and cannot be separated when assessing the management of CSR in any organization or in any activity, including the issuance of green bonds.

In this sense, we write an opinion on the issuer's social responsibility as a corporate organization, and on the objectives, the management and the reporting of the projects financed by the green bond.

### 1. Analysis of the issuer regarding international standards in terms of social responsibility

Abengoa has been evaluated by Vigeo Rating, on May 2014 on its social responsibility performance, based on a rating framework aligned with public international standards, in compliance with the ISO 26000 norm, and organized in 6 domains: Environment, Human Resources, Human Rights, Community Involvement, Business Behaviour and Corporate Governance. Vigeo's review uses publicly available information from the company and stakeholders. In July, Abengoa's ESG policies have been assessed by Vigeo on the level of commitment; using information collected on-site provided by Abengoa and other sources.

An analysis of controversies and allegations on each domain of sustainability has been conducted, regarding frequency, severity and responsiveness.

9 disputable activities have been analysed following 30 parameters to verify if the company is involved in one of them: Alcohol, Animal maltreatment, Amament, Hazardous chemicals, Gambling, GMOs in food & feed, Nuclear energy, Sex industry, Tobacco.

### 2. Analysis of the financed projects

A Green Bond Framework has been developed with Vigeo to define the use of proceeds requirements and the environmental and social criteria, that such projects should meet in order to be eligible, and the selected indicators in order to report regularly on project outcomes.

#### 2.1. Use of proceeds requirements

The Use-of-proceeds requirements are defined to ensure that the funds raised are used to finance Eligible Green Projects and are traceable within the issuing organisation. These requirements must be met by Abengoa for each endorsed project; they include Eligible Green Projects definition and Management of proceeds, detailed in a dedicated page below.

The environmental and sustainable purpose of eligible projects as part of the Bond has been precisely defined, in regards to Abengoa's priorities. The projects endorsed by Abengoa as part of the bond must match one of these categories detailed in a dedicated page below:

- |                                      |                                     |                   |
|--------------------------------------|-------------------------------------|-------------------|
| ✓ Renewable Energy                   | ✓ Water transmission & distribution | ✓ Bioenergy       |
| ✓ Energy transmission & distribution | ✓ Protection of water resources     | ✓ Waste to energy |
| ✓ Energy efficiency                  |                                     |                   |

For each category, environmental and/or social outcomes have been identified.

The net proceeds of the issuance will be managed within Abengoa treasury liquidity portfolio, in cash or other liquidity instruments, before the fund allocation to Eligible Green Projects.

#### 2.2. Environmental Social and Governance criteria

On the basis of ISO26000 guidelines, of a review of Abengoa's Policies and Guidelines on Sustainability and of internal interviews concerning business activities and practices in place, Vigeo guided Abengoa by elaborating ESG criteria (Environment, Social / Societal and Governance) for projects evaluation and selection. Each future project endorsed shall comply with all these criteria in order to be eligible.

In total 14 criteria have been determined and aligned to 4 domains within Abengoa's CSR strategy:

- *Environment protection*: manage environmental impacts, protect biodiversity and water resources and fight against climate change
- *Social dimension*: Ensure respect of human rights, communities' well-being, responsible relations and working conditions
- *Business ethics and creation of value*: Contribute to local development, promote ethical practices throughout the supply chain and sustainable relations with suppliers and customers
- *Project Governance*: Ensure appropriate ESG assessment and project compliance

These 14 criteria are available on Abengoa's website and detailed in a dedicated page below.

### 3. Analysis of reporting indicators

Reporting indicators are selected from Abengoa's indicators already existing in order to report annually on environmental and social outcomes and on responsible management of the projects financed by the green bond proceeds, collected at project level and aggregated at bond level.

Vigeo has appreciated the relevance of these indicators according to three principles: completeness, effectiveness and intelligibility for stakeholders.

These reporting indicators are detailed in a dedicated page below and will be used by Abengoa to report annually in a Green Bond section in its CSR Annual Report available on its website.

### Use of proceeds requirements

“**Eligible Green Projects**” include eligible green projects categories (as defined below) which promote sustainability, such as contributing to fight against climate change, energy transition, protecting water resources, creating local employment and improving access to clean energy and drinking water. Eligible Green Projects will meet a set of environmental, social and governance (ESG) criteria approved both by Abengoa and Vigeo, and available on Abengoa’s website in the Corporate Social Responsibility section.

Eligible Green Projects include **future or under development or construction phase** projects, i.e. projects awarded with PPA (Power Purchase Agreement) signed or closed to be signed

Project categories	Definition	Environmental and social outcomes
Renewable energy	Projects of conception, development, engineering construction, operation and/or maintenance of renewable energy production units, i.e. energy produced from wind and solar power (Concentrating Solar Power (CSP) and photovoltaic technology) and hydrogen	<ul style="list-style-type: none"> <li>- Fight against climate change (avoiding of GHG emissions)</li> <li>- Contribution to energy transition (development of renewable energy, energy storage)</li> <li>- Access to clean electricity</li> <li>- Local economic development</li> </ul>
Energy transmission & distribution	Projects of engineering design, construction, equipment, operation and maintenance of energy transmission and distribution infrastructures that contribute to: <ul style="list-style-type: none"> <li>- Connect renewable energy production units to the network</li> <li>- Improve networks in terms of demand-size management, energy efficiency, access to electricity</li> </ul>	<ul style="list-style-type: none"> <li>- Contribution to energy transition (development of renewable energy)</li> <li>- Energy storage</li> <li>- Access to clean electricity</li> <li>- Local economic development</li> </ul>
Energy Efficiency	Projects of design, engineering, construction and commissioning of projects, that contribute to a reduction of the energy consumption per unit of output and reduction of associated GHG emissions, such as cogeneration plant	<ul style="list-style-type: none"> <li>- Fight against climate change (reduction of GHG emissions)</li> </ul>
Water transmission & distribution	Projects of engineering design, construction, equipment, operation and maintenance of infrastructures of water transmission and/or distribution, that contribute to: <ul style="list-style-type: none"> <li>- Carry water to the network</li> <li>- Improve networks in terms of demand-size management and access to drinking water</li> </ul>	<ul style="list-style-type: none"> <li>- Access to drinking water</li> <li>- Local economic development</li> <li>- Protection of water resources (improvement of network storage and transport capacity)</li> </ul>
Water management	Technologies for generating drinking water from sea water (desalination), water treatment and the creation of process for reusing water for in dustrial and domestic purpose	<ul style="list-style-type: none"> <li>- Access to drinking water</li> <li>- Local economic development</li> <li>- Protection of water resources (improvement of water treatment, reduction of water consumption)</li> </ul>
Bioenergy	Development of second-generation biofuels and energy crops from vegetable and organic origin	<ul style="list-style-type: none"> <li>- Fight against climate change (avoiding of GHG emissions)</li> <li>- Contribution to energy transition (development of renewable energy)</li> <li>- Local economic development</li> </ul>
Waste to energy	Research and development of new Municipal Solid Waste management models for producing ethanol through a process involving treatment via fermentation and enzymatic hydrolysis, as well as recycling of materials that can be reused	<ul style="list-style-type: none"> <li>- Fight against climate change (avoiding of GHG emissions)</li> <li>- Contribution to energy transition (development of renewable energy)</li> <li>- Local economic development</li> </ul>

### Management of proceeds

The net proceeds of the issuance will be managed within Abengoa treasury liquidity portfolio, in cash or other liquidity instruments, before the fund allocation to Eligible Green Projects. In case of project divestment, the Issuer will use the net proceeds to finance other Eligible Green Project compliant with the current Use of Proceeds.

## ESG criteria

Criteria	Commitments
<b>Environment</b>	<b>Manage environmental impacts, protect biodiversity and water resources and fight against climate change</b>
Environmental management and eco-design	Environmental Management System (EMS) is implemented in the subsidiary in charge of the project
	Eco-design : environmental requirements integrated in project design specifications covering all project life cycle
	Environmental impacts assessment of the project covering construction, operation and maintenance phases and implementation of appropriate measures to limit, mitigate or compensate negative impacts
	Environmental monitoring during all project life cycle, covering 11 factors of the EMS (raw materials, energy, water, spillage or dumping, waste, emissions, biodiversity, transports, services and products, noise and smells)
	All employees involved in the project have been trained on environmental impacts, on the fight against climate change and on internal management protocols in place
Energy management and fight against climate change	Inventory of GHG emissions at subsidiary level and implementation of GHG reduction plan
Protection of biodiversity and water resources	Assessment of project impacts on biodiversity and water resources, and implementation of measures to protect resources, flora and fauna species if required (i.e. the site is classified as a "priority" on biodiversity issues)
<b>Social dimension</b>	<b>Ensure respect of human rights, communities' well-being, responsible relations and working conditions</b>
Respect of fundamental human and labor rights	All employees involved in the project have been trained at least annually on prevention of incidents related to violations of human rights
	No complaints on human rights violation nor incidents implying labor rights-related risks have been monitored at project level through the whistleblower channels and/or transparently reporting in a case of incident reported
	Gender equality is audited twice a year according to the Equality Framework Plan and reviewed yearly in the Equal Treatment and Opportunities Committee, at business group level
	Social Labor Responsibility Management System is implemented in the subsidiary in charge of the project (SA 8000 certification or equivalent), covering human rights and labor rights issues
Promotion of labour relations	Employees involved in the project are covered by collective agreements on working conditions, employee representation and social dialogue
Career management and employment conditions	Over than minimum legal wages and social security are ensured for each employee involved in the project
	Employees are guided into internal job mobility after project construction
Improvement of health and safety and working conditions	Occupational Risk Prevention : risks assessment of the project covering construction, operation and maintenance phases and implementation of appropriate measures to prevent, limit or mitigate health and safety risks
	All employees involved in the project have been trained on Occupational Risk Prevention system
	H&S representative named for the project, in charge of prevention and coordination for the project
Communities' well-being	Assessment of impacts on communities: the project has direct and indirect positive impacts on local communities and their surroundings, and if any potential negative impacts are presumed, implementation of actions to prevent or mitigate them
	Local public consultation during all project life cycle (conception, construction and operation)
	Social actions are carried out and/or cooperation with NGO's and local institutions are implemented during the project life cycle



<b>Business ethics and creation of value</b>	<b>Contribute to local development, promote ethical practices throughout the supply chain and sustainable relationships with suppliers and customers</b>
Promotion of local social and economic development	<p>Social Return on Investment have been measured to assess the efficiency of the programs and initiatives implemented, according to the PE&amp;C (People, Education and Communities) social development program</p> <p>Creation of local employment and/or development of economic activity linked with project construction and operation</p>
Sustainable customer relations	<p>Project conducted within a comprehensive Quality Management System, including customer safety and customer satisfaction evaluation on annual basis during project execution and/or at the end of the project</p> <p>Project Carbon footprint labelling : calculation of GHG emissions ( scope 1, 2 and 3 - “cradle to gate” methodology) linked to the project construction, operation and maintenance</p> <p>Periodical meetings are conducted with the customer and Quality, Environment and H&amp;S plan is reviewed</p>
Responsible procurement	<p>Risk analysis of all suppliers based on variables such as:</p> <ul style="list-style-type: none"> <li>- Country of supplier location: human rights, corruption, politic and civil rights, politic risks and environmental risks</li> <li>- Nature of the product or service supplied regarding health and safety issues (risk level)</li> <li>- Reputational risks</li> </ul> <p>Onsite audits of critical suppliers have been conducted (if identified) covering environmental and social issues of the Social Responsibility Code - <i>At least 5% of critical suppliers audited yearly</i></p> <p>All suppliers involved in the project</p> <ul style="list-style-type: none"> <li>- Have signed and agreed to adhere to Abengoa’s Social Liability Code, including Abengoa’s Code of Conduct</li> <li>- Have reported, or are committed to report, the emissions associated with the products and services provided</li> </ul> <p>Supplier training related to relevant areas, at least on health and safety conditions, environmental good practices, ethics, use of corporate management tools and product quality standards.</p>
Promotion of ethical practices	<p>All employees involved in the project received yearly training on Abengoa’s Code of conduct and on Abengoa’s internal manual of procedures (anti-corruption, suppliers relations, whistleblower system, compliance ...)</p> <p>Whistleblower channels available to all employees and stakeholders to submit complaints or concerns regarding Abengoa management, and report breaches of the Code of Conduct or any other potential irregularities or acts contravening the ethics, legality and norms</p> <p>Corruption and preventive fraud-related audits have been conducted, by the dedicated Fraud Prevention and Detection Unit if project location or business segment is considered critical (according to country risk analysis)</p>
<b>Project governance</b>	<b>Ensure appropriate ESG assessment and project compliance</b>
ESG risks management	<p>CSR-related risk analysis have been conducted during the feasibility study and will be conducted again in the project facilities under construction or in operation; and ad hoc diligences and/or mitigation and prevention measures are devised for each risk identified</p> <p>Sustainability prevention meetings are conducted regularly at subsidiary level to review Quality, Environment, Health &amp; Safety, CSR and Legal related issues</p> <p>All employee involved in the project received annual training on sustainability</p> <p>Global footprint of the project is measured (construction and/or operation) to evaluate project impacts on its environmental, social and economic surroundings, and then to implement mitigation measures <i>Reference values : 30% water re-used, 10% of renewable energy, 60% of recycling rate, 60 of recycled materials, carbon footprint under the average project category, 70% of national contract and 40% of local contract</i></p>
Audit and internal control	<p>Project is integrated in the Corporate Compliance program, a set of internal procedures and norms of obligatory compliance, preventing poor business practices and non-compliance are monitored</p> <p>Project subsidiary is audited twice a year to control, assess and make improvement recommendations on Quality, Environmental, Health and Safety, GHG inventory and Social Labor Responsibility domains</p>



## Reporting

The project outcomes and ESG selection criteria will be assessed by Abengoa by relevant indicators (as defined below), selected from Abengoa's indicators already existing, to report on:

- **Fund allocation** at project level
- **Environmental and social outcomes** collected at project level and then aggregated at bond level
- **Responsible management** (ESG integration) monitored at project level and then aggregated at bond level

Annually and until the maturity date of the bond, an investor-dedicated section on projects financed by the net proceeds of the green bond issuance, on the compliance of the net proceeds' allocation with the above described process and on sustainability reporting indicators (outcomes and management), will be included within Abengoa's CSR Annual Report available on Abengoa website and verified by a third party (external auditor),

To report on the outcome measured or on the issue monitored, the company could substitute any of the selected indicators when it considers that it is more convenient and appropriate to disclose the performance and the management of such projects.

### Fund allocation

Criteria	Reporting indicator
Projects financed by the green bond proceeds	List of projects Amount in € Date of the allocation

### Environmental and social outcomes

Environmental and social outcomes	Reporting indicators
<b>Fight against climate change:</b> Avoiding or reduction of GHG emissions	Avoided CO2 emissions in tCO2e Reduction of GHG emissions in tCO2e
<b>Contribution to energy transition</b> Development of renewable energy Energy storage	Installed capacity in MW, renewable source and technology Biofuel production capacity in ML Bioethanol production capacity in ML Hours of energy storage or MW of energy storage capacity km transmission lines and Number of substations
<b>Access to service:</b> Access to clean electricity or to drinking water	Number of people or households supplied with clean energy Number of people or households supplied with drinking water
<b>Local economic development:</b> Local employment and/or local economic activity generated	Number of local jobs created during construction phase Number of local jobs created during operation and maintenance phase Economic activity generated in €
<b>Protection of water resources</b> Improvement of water treatment Improvement of network storage and transport capacity Reduction of water consumption	Km of pipes and number of pumping stations Water storage capacity in m3 Transport capacity in m3 of water/sec Water treatment capacity in m3/day m3 of desalinated water or of reused water

### Responsible management

Domain	Criteria	Issue monitored	Reporting indicator
Environment	Energy and climate change	Project carbon footprint	GHG emissions of the project in tCO <sub>2</sub> e
	Water management	Water consumption and use of recycled water	Total water and recycled water consumption en m <sup>3</sup>
	Energy management	Energy consumption and use of renewable energy	Total energy and renewable energy consumption en MJ
	Waste management	Production and recovery	Total waste and recycling waste generated in tonnes
	Protection of biodiversity and natural resources	Utilization of natural resources and use of recycled materials	Total usage of materials and previously used materials
Social dimension	Communities' well being	Negative impacts on local communities	Actual or possible negative impacts mitigated
		External social actions	Investment in social action in € List of social actions

	Improvement of health and safety conditions	Health and safety	Accidents in the project and the frequency index
	Human rights	Employee training on human rights	instruction hours on HR
		Human rights violation	% of HR complaint resolved
Business ethics & creation of value	Promotion of local social and economic development	Local purchases	Purchases made from local suppliers
		Economic impacts of social actions (according to SROI methodology)	Social Return on Investment in €
	Sustainable customer relations	Customer satisfaction	Level of customer satisfaction
	Responsible procurement	Environmental factors in the supply chain	% of suppliers that were screened using environmental criteria
		GHG supply chain	Total GHG emissions of project suppliers in tCO <sub>2</sub> e
		Social factors in the supply chain	% of suppliers that were screened using criteria for impacts on society
Promotion of ethical practices	Management of infringements of the Code of Conduct and concerns about unethical or unlawful behavior, and matters related to organizational integrity	Number of infringements and concerns and % of resolved cases	
Project governance	ESK risk management	ESG risk evaluation in project facilities	Number of High level risks of non-compliance and of third- party perception
		Employee training on sustainability	instruction hours on sustainability
	Audit and control	Project compliance	Number of incidents and concerns and % of resolved cases